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REPORT

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The Greater Middle East: From the "Arab Spring" to the "Axis of Failed States"

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August 24, 2020

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We have come a long way from the hopes associated with Camp David, "Globalism," "the end of history," the end of the First Gulf War in 1991, and the first year of the Arab Spring in 2011 – almost all of it in the wrong direction. From a "realist" perspective, the greater Middle East has deteriorated over time, and in ways that go far beyond its conflicts, competing ideologies and faiths, and the petty power struggles of its ruling elites.

The Burke Chair at CSIS is releasing an analysis of the progress the government of each county in the Middle East North Africa (MENA) region has actually made since 2011. This analysis ranks each country's level of success or failure in meeting the needs of its people, and in meeting the hopes of the Arab Spring, in order to assess its current situation and provide a prognosis of its near term future.

The results are not good. Far too many countries have become "failed states" in ways that go beyond the threat posed by Iran, extremism, and ethnic and sectarian divisions. They have failed to make adequate progress in civil and economic reforms, and they have stopped short of reducing corruption and incompetence in national politics and governance.

Accordingly, it is time to take a hard, blunt look at what has happened to country-after-country in the region. Their governments have failed to make adequate progress in civil and economic reforms, and they have stopped short of reducing corruption and incompetence in national politics and governance. These problems are not specific to any one nation. They have become regional – made worse in virtually every case by the impact of the crisis in petroleum export prices and the Coronavirus on the local and global economy.

Looking at the Real Causes of Failure

It may seem a bit brutal to illustrate failure by scoring the level of failure in each country in the region – essentially highlighting its worst defects – and it is inevitably somewhat unfair by ignoring the fact that the level of "failure" is not all that different from the levels of failure in large parts around the rest of the world.

The United States could easily be classed as a Category A to Category B failed state by the standards used in this analysis for its failure to achieve lasting results from its long wars, for its lack of progress in dealing with racism, and for the scale of its failures to use its wealth to deal with inequities in income. The EU would score just as badly for its failures relative to its opportunities, and both China and Russia have drifted into levels of authoritarianism that would push their ratings down much further to Category D or Category E.

It is time, however, to look beyond terrorism, extremism, and Iran's hardline politics. These are all real issues, as are the near-term humanitarian problems caused by the conflicts and power struggles in countries like Iraq, Libya, Somalia, Sudan, Syria, and Yemen. At the same time, far too much of the analysis of the greater Middle East focuses on only the immediate issues of one country or group of countries; on the current threat from "terrorism" and "extremism"; and on the threat from Iran, the Israeli-Palestinian issue, or the latest national political and economic crisis.

Far too often, the importance of other factors is ignored – as is the behavior and status of most or all of the countries in the region. As is the case in the rest of the world, this leads to false hopes and dysfunctional efforts at finding real solutions. These hopes are compounded in many cases by assuming that the latest reform plan will actually be implemented and be successful in spite of long historical evidence indicating that such reform – and most changes in leadership – fail or fall far short of their announced goals.

This tendency to ignore the key causes of failure in a given state is compounded when the scale and impact of ethnic, sectarian, and tribal discrimination and violence is largely ignored; when divided nations are treated as if they were unified; and when only national averages for economic and civil development are examined.

The same is true when national gross domestic product (GDP) and per capita incomes are estimated using the purchasing power parity (PPP) method in spite of economic change, urbanization, and a shift to real market price. It is also true when gross corruption and poor distribution of income is ignored or when countries report more favorable data or no data at all. It is also true when budgets disguise the true scale of national security spending and the actual size of the allocation of resources to power elites or a given section of a nation's population.

Far too many national statistics are rough estimates or politicized. Unemployment and health data are particularly unrealistic, as is reporting on the treatment of foreign labor. Reporting on polls of popular trust in governments, in the political process, in the security forces, in government services, and in merit-based employment is often deeply disturbing – as is the near indifference to population growth and the social impact of urbanization and economic change (although the work done by the UN Arab Development Reports on youth employment is a notable exception).

Population pressure and demographics receive too little attention. Most populations are extremely young by global standards, and both the young and the elderly are exceptionally dependent on the number of people who are actually gainfully employed. It is worth noting that the U.S. Census Bureau estimates of population growth for the Greater Middle East as shown in this analysis demonstrates a rise from 112.7 million in 1950, to 411.4 million in 2000, and to 598.9 million in 2029 – in spite of war after war, political turmoil, and the creation of massive refugee populations. [1]

Virtually all of the countries in the Greater Middle East suffer from corruption and failed governance, from a failure to modernize and open up their economy, and from population pressure and acute problems in dealing with a "youth bulge" and lack of jobs. Authoritarian excess and human rights abuses are the rule, rather than the exception. Major inequalities in income distribution and by faith and ethnicity are all too common.

Many countries in the region seem incapable of helping themselves. They have reached the point where outside aid tends to do more to prolong problems than solve them, and instead allows their problems to fester and grow – rather than lead to real progress and solutions. This become all too clear when one looks beyond the crisis of the day, month or year – and examines the ratings and longer term trends in the UN Arab Development Reports, IMF Article IV reports, World Bank "governance and ease of doing business" rankings, UN and other demographic data, reporting on corruption by Transparency International and other organizations. It becomes equally apparent when one examines public opinion polls, and the comparative data on human progress and conditions from UN, IMF, Work Bank, and CIA factbook reporting.

Arms races and conflicts waste critical resource, and they create streams of casualties and refugees. The level of waste, failures in security operations, and excessive repression are highlighted in UN, U.S. State Department reporting, as well as in NGO human rights reporting by organizations like Amnesty International and the Human Rights Watch as well as in studies of internal tensions by groups like the Crisis Watch.

The amount of excessive military and security spending is partly revealed in reporting by the International Institute of Strategic Studies (IISS), Stockholm International Peace Research Institute (SIPRI), and IHS Janes. The actual level of excessive spending and value for money in military security spending would be far clearer if there was reporting on all countries and equal reporting on internal security forces and efforts, covert operations, and monetary payments to other state and non-state actors.

Ranking Each Country in the Greater Middle East

The rankings that follow are rough working estimates that do address the full range of such issues and judge the government of each state by its actual progress over time, particularly since 2011. They include every country in the Middle East, and they reflect an attempt to summarize the collective impact of these long-term reasons for failure of a given country. They also present a variety of nation-by-nation ranking of each government by the UN, World Bank, and other bodies; show the high rate of population pressure in most countries; and demonstrate the relatively limited per capita income of many states – even if issues like income distribution and corruption are ignored.

They are limited by the fact that they are subjective, only highlight a few points in each case, cannot as of yet address the lasting impact of the Coronavirus crisis, and are highly uncertain even from a relatively short-term prognosis for the next five years. At the same time, the last decade is a warning for most countries that their leadership has failed to meet the needs of its people, and that promises of progress and reform are rarely kept.

The order in which states are shown is semi-geographic to give some picture of how the level of "failure" in any given state interacts with the levels in neighboring countries. Each country is ranked by its performance on an international scale. The rankings for the level of failure range from A to F, with F being the worst. These rankings also take account of the very different gross national income (GNI) streams and per capita gross national incomes in each country. They are also more demanding for the wealthier petroleum exporting states than the poor states lacking in such resources and that had lower levels of development.

A brief narrative summary of the reasons for the ranking then follows, drawing heavily on recent World Bank and CIA reporting. The next category then displays the latest ranking of each country by international organizations and NGOs. These data are then summarized in the following categories: a summary data on population pressure from 1950 to the estimated total in 2050, a country's total pre-Coronavirus GNI and GNI per capita, and a summarized five-year prognosis.

All of the data used are supported by reputable organizations like the CIA *World Factbook*, the UN, the World Bank, the IMF, and the U.S. Census Bureau International Data Base – which can be referenced at the end of the assessment under "Notes."

This report entitled, The Greater Middle East: From the "Arab Spring" to the "Axis of Failed States", is attached and is also available for download at https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/200824_MENA_Axis_Failed_States.pdf.

1. Morocco

- **Ranking: Uncertain Success**
- **Summary:** A poor state in economic terms, but it has made real progress towards reform after 2011, especially in terms of low repression rates by regional standards. Changes to the government, efforts to create a new economic model, and efforts to deal with youth unemployment have helped. There is real progress in building a diverse, open, market-oriented economy, but "major economic and population challenges" – coupled with loss of tourism income from the Coronavirus crisis – make success uncertain.
  Problems remain in the southern region – or Western Sahara – and with the Polisario Front and Algeria. Morocco also experiences high unemployment, low labor force participation, poverty, and illiteracy, particularly in rural areas. Key economic challenges for Morocco include reforming the education system and the "judiciary." Significant youth unemployment problem remains.

  "After King Mohammed VI's July 2019 call for a government reshuffle—adapted to meet his country's pressing development challenges—in the second half of 2019, Saad Dine El Othmani, the head of Morocco's government, presented a new cabinet line-up composed of 23 portfolios, streamlined from the 39 in the previous government. In it, the Party for Justice and Development (PJD) leading the coalition has seven cabinet posts, while the liberal National Rally for Independents (RNI) led by Aziz Akhannouch has four, strategic portfolios, including Agriculture, Economy/Finance, and Industry. The Party for Progress and Socialism (PPS) withdrew from the coalition the week before the government was formed in October 2019 and most of other government members have a technocratic background."

  "Members of the Commission for the New Development Model led by former Interior Minister, Chakib Benmoussa, were appointed by the King in December 2019. The Commission has been conducting extensive consultations across Morocco to gather feedback and recommendations on development bottlenecks and suggested pathways to reform. Its task is to develop a comprehensive roadmap to deliver to the King by June 2020, with a new vision for Morocco's future."

  "To tackle youth unemployment, King Mohammed VI has urged the Moroccan banking and financial sectors to develop solutions to facilitate youth entrepreneurship and open up access to finance. The Intelaka initiative was launched in February 2020, offering a new generation of guarantees and financing products for young entrepreneurs and very small enterprises. A $625 million Trust Fund has been set up to finance the initiative, spanning three years and financed equally by the government and the banking sector."

  "The Covid-19 epidemic has triggered a number of radical, preemptive measures to counter its progress. In March 2020, Morocco closed its land and maritime borders and suspended all international passenger flights to and from its airports. Other measures were taken to limit social interactions. An economic watch committee, chaired by the Minister of Economy, was set up to evaluate the impact of Covid-19 on the economy and adopt mitigating measures to support the segments of the economy affected. King Mohammed VI ordered the creation of a fund of 10 billion dirham ($1 billion) to upgrade health infrastructure, support vulnerable households and help crisis-hit economic sectors."

  "To help Morocco cope with the effects of the COVID-19 pandemic, the World Bank proceeded with the restructuring of a US$275 million Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (Cat DDO). The restructuring adds a health-related trigger mechanism to the operation to allow immediate funding under to address emergency measures."

  "Morocco's economic growth has been on a downward trend for the last two years. Indeed, GDP growth decelerated sharply in 2019 to 2.3 percent, down from 3 percent in 2018. This slowdown was mainly driven by the contraction of agricultural output by 5.4 percent and modest non-agricultural GDP growth (3.3 percent in 2019 versus 3 percent in 2017). On the demand side, private consumption contributed the most to growth, boosted by higher salaries and low inflation. The contribution of net exports remained negative, reflecting the low competitiveness of exports and their dependence on energy imports. Thanks to prudent monetary policies and declining import prices, inflation has remained low and controlled under 2 percent. The unemployment rate remains elevated at 9.2 percent—and is significantly higher among women and youth—while labor force participation has been experiencing a protracted decline to below 46 percent."

  "Following five years of strong fiscal consolidation efforts **,** the fiscal deficit widened anew in 2019 to an estimated 4.1 percent of GDP, driven mainly by lower than forecasted corporate tax revenue and grants from the GCC, and by increased spending on goods, services and capital expenditures. The proceeds from privatization allowed the reduction of the government's financing needs to 3.6 percent of GDP in 2019. Consequently, the central government debt-to-GDP ratio has slightly increased to 65.7 percent."

  "The Covid-19 pandemic outbreak and the effects of drought are expected to impact the Moroccan economy negatively in the medium-term, with the economy also expected to suffer a recession this year, the first in more than two decades. Real GDP is expected to recede by 1.7 percent in 2020. The country's economic outlook remains subject to significant downside risks, including a longer, more severe epidemic."

  "The country's current account expenditure/balance returned to narrowing its trajectory, after widening to 5.5 percent of GDP in 2018. Preliminary figures at end-2019 reveal that exports grew by 4.2 percent, primarily driven by an increase in automotive and aeronautics exports. This increase was also reflected in a rise of equipment imports, because of growing public and private sector investment. Despite a drop in remittances and in net foreign direct investment, the performance of tourism receipts (7.7 percent) and a reduction in energy imports (minus 7.2 percent, given the decline in oil prices) have supported the decline in the current account deficit to 4.6 percent of GDP in 2019. The exchange rate remains stable following the 2018 widening of the exchange rate band from ±0.3 to ±2.5, which has contributed to improving the economy's shock absorption capacity."

  "Growth is projected to accelerate gradually over the medium term, mainly driven by more dynamic secondary and tertiary activities. Its outlook is subject to significant risks, however. External risks include weaker growth in the Euro area, geopolitical risks in the region, and the uncertain global trade and capital flow policy environments, as well as potential disruptions to tourism and trade, at least temporarily in light of the recent spread of the corona virus. Domestically, the main risks are clustered around delays in structural and financial sector reforms, including critical tax system reforms which could adversely affect fiscal space and heighten social tensions, thereby affecting growth and external balances. Conversely, lower international oil and butane gas prices could support an attenuation of macroeconomic imbalances, whereas greater regional integration could contribute to medium-term growth."
- **International Rankings** : The UN Human development ranking in 2019 is only 121 out of 189. The World Bank percentile governance ranking in 2018 is a moderate 44.2. Morocco has moderate corruption by regional standards (80th out of 198 countries), and the World Bank "Doing Business Ranking" rates Morocco "Good" at 53rd out of 190 countries.
- **Population Pressure in millions:** Morocco: 9.3 in 1950, 28.2 in 2000, 31.9 in 2010, 35.6 in 2020, and 42.0 estimated for 2050. Western Sahara: 9,000 in 1950; 336,000 in 2000; 490,000 in 2010; 652,000 in 2020; and 1.2 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $116.4 billion; GNI per capita = $3,190.
- **Five Year Prognosis:** Morocco will be dependent on further reform, outside aid, and recovery of tourism.

2. Algeria

- **Ranking: Category B Failed State**
- **Summary:** Algeria suffers from serious population pressure, economic problems, and failures to create an effective system of governance to replace former military junta. The military still dominates key elements of power structure; rule of law is uncertain; and security services can be repressive.
  "Algeria's primary political party, the National Liberation Front (FLN), was established in 1954 as part of the struggle for independence and has since largely dominated politics. The Government of Algeria in 1988 instituted a multi-party system in response to public unrest, but the surprising first round success of the Islamic Salvation Front (FIS) in the December 1991 legislative elections led the Algerian army to intervene and postpone the second round of elections to prevent what the secular elite feared would be an extremist-led government from assuming power. The army began a crackdown on the FIS that spurred FIS supporters to begin attacking government targets. Fighting escalated into an insurgency, which saw intense violence from 1992-98, resulting in over 100,000 deaths - many attributed to indiscriminate massacres of villagers by extremists. The government gained the upper hand by the late-1990s, and FIS's armed wing, the Islamic Salvation Army, disbanded in January 2000."

  "Abdelaziz BOUTEFLIKA, with the backing of the military, won the presidency in 1999 in an election that was boycotted by several candidates protesting alleged fraud, and won subsequent elections in 2004, 2009, and 2014. The government in 2011 introduced some political reforms in response to the Arab Spring, including lifting the 19-year-old state of emergency restrictions and increasing women's quotas for elected assemblies, while also increasing subsidies to the populace. Since 2014, Algeria's reliance on hydrocarbon revenues to fund the government and finance the large subsidies for the population has fallen under stress because of declining oil prices. Protests broke out across the country in late February 2019 against President BOUTEFLIKA's decision to seek a fifth term. BOUTEFLIKA resigned on 2 April 2019, and the speaker of the upper house of parliament, Abdelkader BENSALAH, became interim head of state on 9 April. BENSALAH remained in office beyond the 90-day constitutional limit until Algerians elected former Prime Minister Abdelmadjid TEBBOUNE as the country's new president in December 2019."

The "economy remains dominated by the state, a legacy of the country's socialist post-independence development model."

"In recent years the Algerian Government has halted the privatization of state-owned industries and imposed restrictions on imports and foreign involvement in its economy, pursuing an explicit import substitution policy. Trade deficit and Algeria's hydrocarbon revenues have halved in the recent years, contributing to a paid decrease in its currency reserves, which albeit still remain at a very high level."

"Algeria is over dependent on petroleum exports and has made limited progress in diversification. Many aspects of the economy and social programs are dominated by the state, and are highly inefficient. The unemployment rate reached 11.7 percent as of October 2018 and is higher among the youth (29 percent in April 2018), women (19.4 percent) and university graduates (18.5 percent) as a result of the skills mismatch in the labor market."

"Following a year of political uncertainty and social unrest leading to the deceleration of economic activity, Abdelmadjid Tebboune won the December 2019 Presidential election. In 2020, the COVID-19 outbreak will slow down consumption and investment, while falling oil prices will cut into fiscal and export revenues. The new Government has the difficult task to maintain macroeconomic stability, respond to the public health crisis and pursue structural reforms."

"GDP growth moderated to 0.9% in 2019, compared to 1.4% during the previous year. The oil sector has shown a lower average contraction in the first nine months of 2019 compared to the previous year (-4.3% against -6.4% in 2018). Meanwhile, non-hydrocarbon activity grew by 2.6% over the same period, down from 3.3% in 2018."

"Algeria is facing a combined shock from halving oil prices, a public health crisis and the consequences of global economic disruptions following the COVID-19 outbreak. An oil price at US$ 30/barrel in 2020 would decrease Algeria's total fiscal revenues by 21.2%. Despite cuts to public investment (-9.7%) and public consumption (-1.6%) envisaged by the 2020 Finance Law, the fiscal deficit would increase to 16.3% of GDP. Meanwhile, the sharp decline in export revenues (-51%) will lead the trade deficit to expand to 18.2% of GDP and the current account deficit to peak at 18.8% of GDP in 2020, despite efforts to contain imports and weak domestic demand."

"GDP is currently projected to contract by 3%, in line with contracting private consumption and investment, as well as falling public investment, which represents 44% of total investment. COVID-19 containment measures such as restriction on movement and gatherings, compounded by high economic uncertainty, will discourage private consumption and investment."

- **International rankings:** The UN Human development ranking in 2019 placed Algeria at a low to moderate 21.7. The World Bank percentile governance ranking in 2018 is a low 44.2. There is very low corruption by regional standards (30th out of 198 countries), and the World Bank "Doing Business Ranking" rates Algeria "Poor" at only 157th out of 190 countries.
- **Population Pressure in millions:** 8.9 in 1950, 30.6 in 2000, 36.0 in 2010, 43.0 in 2020, and 55.4 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $165.8 billion; GNI per capita = $3,970.
- **Five Year Prognosis:** Algeria will experience continued instability and inadequate progress, but there are some elements of hope.

3. Tunisia

- **Ranking: Category A Failed State**
- **Summary:** Tunisia has some elements of real reform in government, but there is inadequate economic reform and population challenges coupled with loss of tourism income from the Coronavirus. Tunisia did adopt new constitution and held parliamentary and presidential elections Tunisia has more practical political cooperation than in most regional states.
  But, Internal constraints, such as the fragmentation of the political party system and related difficulties in reaching consensus on key economic reforms, have combined with external constraints, such as conflict in neighboring Libya, to slow down economic recovery and generate growing social dissatisfaction among Tunisians with the lack of employment. Youth…have been particularly affected." There is also weak economic growth and serious employment problems.

"The country's first president, Habib BOURGUIBA, established a strict one-party state. He dominated the country for 31 years, repressing Islamic fundamentalism and establishing rights for women unmatched by any other Arab nation. In November 1987, BOURGUIBA was removed from office and replaced by Zine el Abidine BEN ALI in a bloodless coup. Street protests that began in Tunis in December 2010 over high unemployment, corruption, widespread poverty, and high food prices escalated in January 2011, culminating in rioting that led to hundreds of deaths."

"On 14 January 2011, the same day BEN ALI dismissed the government, he fled the country, and by late January 2011, a "national unity government" was formed. Elections for the new Constituent Assembly were held in late October 2011, and in December, it elected human rights activist Moncef MARZOUKI as interim president. The Assembly began drafting a new constitution in February 2012 and, after several iterations and a months-long political crisis that stalled the transition, ratified the document in January 2014."

"Parliamentary and presidential elections for a permanent government were held at the end of 2014. Beji CAID ESSEBSI was elected as the first president under the country's new constitution. Following ESSEBSI's death in office in July 2019, Tunisia moved its scheduled presidential election forward two months and after two rounds of voting, Kais SAIED was sworn in as president in October 2019. Tunisia also held legislative elections on schedule in October 2019. SAIED's term, as well as that of Tunisia's 217-member parliament, expires in 2024."

"Following an ill-fated experiment with socialist economic policies in the 1960s, Tunisia focused on bolstering exports, foreign investment, and tourism, all of which have become central to the country's economy. Key exports now include textiles and apparel, food products, petroleum products, chemicals, and phosphates, with about 80% of exports bound for Tunisia's main economic partner, the EU. Tunisia's strategy, coupled with investments in education and infrastructure, fueled decades of 4-5% annual GDP growth and improved living standards. Former President Zine el Abidine BEN ALI (1987-2011) continued these policies, but as his reign wore on cronyism and corruption stymied economic performance, unemployment rose, and the informal economy grew. Tunisia's economy became less and less inclusive. These grievances contributed to the January 2011 overthrow of BEN ALI, further depressing Tunisia's economy as tourism and investment declined sharply."

"Tunisia's government remains under pressure to boost economic growth quickly to mitigate chronic socio-economic challenges, especially high levels of youth unemployment, which has persisted since the 2011 revolution. Successive terrorist attacks against the tourism sector and worker strikes in the phosphate sector, which combined account for nearly 15% of GDP, slowed growth from 2015 to 2017. Tunis is seeking increased foreign investment and working with the IMF through an Extended Fund Facility agreement to fix fiscal deficiencies."

The new government faces an economic situation that is highly vulnerable to a deterioration of the global economy due to the coronavirus pandemic and volatile oil prices. Tunisia has high twin deficits and debt, as well as limited buffers; whereas growth is anemic, employment is stagnant, and inflation is relatively high.

"A worsening pandemic would negatively impact tourism; exports and domestic demand, and consequently growth; employment; and household vulnerability. A sharp reversal of recent oil price dynamics would exacerbate current account and fiscal pressures."

"The economy is projected to contract by 4% in 2020 in a scenario where COVID-19 spreads globally with disruptions to travel and trade, as well as social distancing behaviors, all of which impact economic growth. This forecast assumes 2 to 3 months of social distancing, travel restrictions over the summer resulting in a large contraction of the tourism sector, and the gradual coming online of the Nawara field. The outlook is subject to major downside risks related mainly to the coronavirus pandemic."

"Inflation is expected to continue declining under an outlook of lower oil prices and a continued tight monetary policy. Inflation pressures could rise in the scenario of continued disruption of trade flows with Europe and China which could force importers to adjust their supply chains and procure in potentially higher cost countries. Poverty is projected to go above 3% in 2020 using the 3.2 U$ PPP per day line and around 0.3% using the international poverty line."

"The key risks facing Tunisia relate to the COVID-19 pandemic and the volatility in global oil prices. A worsening of the global pandemic would result in a further deterioration of the global economic outlook, a persistent disruption in global trade and value chains, as well as longer than expected global and Tunisia-specific restrictions to travel and activity combined with social distancing behavior that would lower domestic consumption. This would adversely affect economic activity in Tunisia and in particular tourism and exports, thereby leading to an additional slowdown in growth, job creation, and government revenue, as well as potential price increases of imported goods leading to higher inflation. This along with a potential reduction in FDI and remittances due to the pandemic would have knock-on effects on the fiscal and current account balances and the foreign reserve position."

"A reversal of the recent drop in global oil prices would affect fiscal and external accounts. A disruption of global financial markets and the economic situation in a few oil exporting MENA countries could increase difficulties to finance fiscal and external balance deficits, but Tunisia remains mostly dependent on multilateral financing. Domestically, there are additional risks relating to reform continuity (in light of recent elections and the installation of a new government), socio-political tensions, and a deterioration in security which would adversely impact investment and tourism. Spillovers of instability in neighboring countries could affect economic stability."

- **International Rankings:** The UN Human development ranking for Tunisia in 2019 is 91st out of 189. The World Bank percentile governance ranking in 2018 is a moderate 56.3. Tunisia has moderate corruption by regional standards (74th out of 198 countries), and the World Bank "Doing Business Ranking" rates Tunisia "Poor to Moderate" at 78th out of 190 countries.
- **Population Pressure in millions:** 3.5 in 1950, 9.5 in 2000, 10.50 in 2010, 11.7 in 2020, and 12.7 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $37.4 billion; GNI per capita = $3.360.
- **Five Year Prognosis:** Tunisia has some real hope, but it will be critically dependent on improvements in governance and economic reform, and global recovery from the Coronavirus.

4. Libya

- **Ranking: Category E Failed State**
- **Summary:** Libya is experiencing a serious civil war, as well as deep internal regional and tribal differences. The impact of a weak structure of governance and economy under previous dictatorship is compounded by large-scale outside interference. Some elements of economic recovery have been "short-lived, stalled in early 2019 by the most serious political crisis facing Libya since 2011." The outbreak of the war around Tripoli in April 2019 prevented Libya from continuing its strong economic expansion."
  Libya needs massive reform of economy and governance. "Libya's economy, almost entirely dependent on oil and gas exports, has struggled since 2014 given security and political instability, disruptions in oil production, and decline in global oil prices.

"The Libyan dinar has lost much of its value since 2014 and the resulting gap between official and black market exchange rates has spurred the growth of a shadow economy and contributed to inflation. The country suffers from widespread power outages, caused by shortages of fuel for power generation. Living conditions, including access to clean drinking water, medical services, and safe housing have all declined since 2011." The "subsequent failure of the political rivals to reach a sustained peace deal have taken a heavy toll on the economy, which the Covid-19 pandemic is further exacerbating. In this context, the production and export of oil has almost come to a stop since January 18, 2020, due to the closure of oil ports and terminals."

"Continuing political uncertainty makes economic stabilization, let alone recovery, unlikely. Growth remains subdued amid disinflation. Expenditure rigidity is keeping budget deficits high, even though repressed imports contribute to current account surpluses, easing pressure on foreign reserves… Political resolution is needed to implement the reforms required for private sector- driven growth and the generation of new jobs—the country's only path toward sustainable, shared prosperity."

- **International Rankings:** The UN Human development ranking in 2019 is only 119 out of 189. The World Bank percentile governance ranking in 2018 is a very poor 6.9. Libya has very high corruption by regional standards (168th out of 198 countries), and the World Bank "Doing Business Ranking" rates Libya at 186th out of 190 countries, one of worst in the world.
- **Population Pressure in millions:** 961,000 in 1950; 5.1 in 2000; 6.4 in 2010; 6.9 in 2020, and 9.6 estimated for 2050.
- **Total Pre-Corona Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $ billion; GNI per capita = $7,640.
- **Five Year Prognosis:** The winner of the civil war will likely prove incapable of effective reform and change, or the country will remain an intractable mess.

5. Egypt

- **Ranking: Category C Failed State**
- **Summary:** Egypt has steadily drifted towards authoritarianism and repression. There is uncertain progress in economic reform and excessive military role in politics, economic, and military spending. Population pressure is high and over-reliant on aid and uncertain tourism income.
  "In April 2019, Egypt approved via national referendum a set of constitutional amendments extending el-SiSi's term in office through 2024 and possibly through 2030 if re-elected for a third term. The amendments would also allow future presidents up to two consecutive six-year terms in office, re-establish an upper legislative house, allow for one or more vice presidents, establish a 25% quota for female legislators, reaffirm the military's role as guardian of Egypt, and expand presidential authority to appoint the heads of judicial councils."

"The country's fiscal accounts have improved, but remain under pressure, mainly due to underperforming tax revenues. The budget deficit declined to 8.1% of GDP in fiscal year 2019, from 9.7% a year earlier. While the primary surplus continued to increase in early-fiscal year 2020, preliminary data indicate that the revenues-to-GDP ratio decreased, especially from VAT, which reflects weaker private consumption… Job-creation has been rather subdued, with the share of employed individuals within the working-age population remaining low, at 39%, and may be hindered further by the adverse effect of the COVID-19 pandemic on the Egyptian economy, notably through its impact on domestic production, trade, tourism, and remittances."

"Despite Egypt's mixed record for attracting foreign investment over the past two decades, poor living conditions and limited job opportunities have contributed to public discontent." Acute population pressure has increased the population to over 20 million and created major problems in funding civil programs and creating jobs. There has been some progress in implementing IMF reforms, but still many problems in creating and operating private businesses. Covid-19 has also impacted tourism income.

"The poverty rate–based on the national poverty line–increased from 27.8% in 2015 to 32.5% in FY2017/18. Egypt took a number of social safety net measures, including scaling up the existing cash transfer program," but the impact is uncertain, and it will take success of actual reform to move Egypt towards status of success.

- **International Rankings** : The UN Human development ranking in 2019 is only a low 116 out of 189. The World Bank percentile governance ranking in 2018 placed Egypt at a low 30.8. Egypt has moderate to high corruption by regional standards (106th out of 198 countries) and the World Bank "Doing Business Ranking" rates Egypt "Poor" at only 114th out of 190 countries.
- **Population Pressure in millions:** 21.2 in 1950, 65.5 in 2000, 81.2 in 2010, 104.1 in 2020, and 168.9 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $292.2 billion; GNI per capita = $2,690.
- **Five Year Prognosis:** Egypt remains a failed state unless repression is eased, and serious economic reform actually takes place.

6. Israel

- **Ranking: Category B Failed State**
- **Summary:** Israel is successful in most ways, but the failure of its political system to produce an effective and unified government in the recent elections and to deal with corruption, the impact of the Coronavirus, and the treatment of Palestinian areas, all lowers its ranking.
  " Israel and Palestinian officials signed a number of interim agreements in the 1990s that created an interim period of Palestinian self-rule in the West Bank and Gaza. Israel withdrew from Gaza in 2005. While the most recent formal efforts to negotiate final status issues occurred in 2013-2014, the US continues its efforts to advance peace. Immigration to Israel continues, with 28,600 new immigrants, mostly Jewish, in 2016."

"Prime Minister Benjamin NETANYAHU has led the Israeli Government since 2009; he formed a center-right coalition following the 2015 elections. In December 2018 the Knesset voted to dissolve itself, leading to an election in April 2019. When that election failed to result in formation of a government, Israel held a second election in September 2019, which also failed to result in the formation of a government. On 11 December 2019, the Knesset voted to hold a third election on 2 March 2020."

"The Israeli economy has undergone a dramatic transformation in the last 25 years, led by cutting-edge, high-tech sectors. Offshore gas discoveries in the Mediterranean, most notably in the Tamar and Leviathan gas fields, place Israel at the center of a potential regional natural gas market. However, longer-term structural issues such as low labor force participation among minority populations, low workforce productivity, high costs for housing and consumer staples, and a lack of competition, remain a concern for many Israelis and an important consideration for Israeli politicians."

- **International Rankings:** The UN Human development ranking in 2019 is a very high 22. The World Bank percentile governance ranking in 2018 is a high 79.3. Israel has low corruption by regional standards. (35th out of 198 countries), and the World Bank "Doing Business Ranking" rates Israel "Very Good" at 35th out of 190 countries.
- **Population Pressure in millions:** 1.3 in 1950, 6.1 in 2000, 7.4 in 2010, 8.7 in 2020, and 12.4 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $394.6 billion; GNI per capita = $43,290.
- **Five Year Prognosis:** Israel could be a major success, but sufficient reform and change are unlikely – maintains the status quo.

7. Palestinian West Bank and Gaza

- **Ranking: Category D Failed State(s)**
- **Summary:** The Palestinian entities have weak and ineffective governance and political structures, which are divided between Gaza and the West Bank, and by factions in the governance and politics of each area. Each has an ineffective, weak to failed economy; serious elements of corruption; and problems with violence.
  "Since 2014, Palestinian militants and the Israel Defense Forces have exchanged projectiles and air strikes respectively, sometimes lasting multiple days and resulting in multiple deaths on both sides. Egypt, Qatar, and the UN Special Coordinator for the Middle East Peace Process have negotiated multiple ceasefires to avert a broader conflict." Strong possibility of new forms of futile violence."

"Roughly 60% of the West Bank, remains under Israeli civil and military control. In early 2006, the Islamic Resistance Movement (HAMAS) won a majority in the Palestinian Legislative Council (PLC) election. Attempts to form a unity government between Fatah, the dominant Palestinian political faction in the West Bank, and HAMAS failed, leading to violent clashed between their respective supporters and HAMAS's violent seizure of all military and governmental institutions in the Gaza Strip in June 2007. Since 2007, the PA has administered parts of the West Bank under its control, mainly the major Palestinian population centers and areas immediately surrounding them. Fatah and HAMAS have made several attempts at reconciliation, but the factions have been unable to implement agreements…" Unemployment even in the West Bank is near or above 20%.

"The lack of progress towards peace and reconciliation – and levels of self-destructive violence in Gaza -- continue to create an unsustainable economic situation in the Palestinian territories. Economic momentum faltered during 2019. The slowdown was driven by a decline in private and public consumption and investment. The PA's fiscal stress significantly heightened in 2019 over clearance revenues (taxes that the Government of Israel collects on behalf of the PA and later transfers to the PA)."

"Along with the rest of the global community, in March 2020 the West Bank and Gaza began dealing with the Coronavirus (COVID-19) health crisis. Since declaring a 30-day state of emergency on March 6, the PA has closed educational institutions, restricted movement, and banned large gatherings—in order to ensure social distancing practices. Cross-border movement has been almost entirely cut off."

- **International Rankings** : The UN does not rate human development, but it would be low in the West Bank and very low in Gaza. There are no World Bank percentile governance ranking in 2018. Corruption is not rated, but likely very high in both West Bank and the Gaza; and the World Bank "Doing Business Ranking" rates Palestine "Poor" at only 117th out of 190 countries.
- **Population Pressure in millions:** Gaza: 245,000 in 1950; 885,000 in 2000; 1,128,000 in 2010; 1,918,000. in 2020; and 3,054,000 estimated for 2050. West Bank: 771,000 in 1950; 1.9 in 2000; 2.4 in 2010; 2.9 in 2020; and 4.2 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $17.0 billion; GNI per capita = $3,720. (West Bank and Gaza for 2018)
- **Five Year Prognosis:** Palestine will have continued and serious levels of failure, possibly dropping to Category F if a new wave of violence takes place.

8. Syria

- **Ranking: Category F Failed State**
- **Summary:** Syria may be in the final stages of its civil war, but the country has an extremely repressive government, which has committed acts of violence and state terrorism that will leave much of the population permanently hostile. The Assad regime's acts of state terrorism since 2011 have probably killed more Syrians than the total deaths from all other non-state actors combined during 2011-2020. Syria faces corrupt governance, shattered economy that needs massive reform, ties to Iran and Russia that threat stability, and risk of links to Hezbollah leading to new military confrontation with Israel.
  " Political negotiations between the government and opposition delegations at UN-sponsored Geneva conferences since 2014 have failed to produce a resolution of the conflict. Since early 2017, Iran, Russia, and Turkey have held separate political negotiations outside of UN auspices to attempt to reduce violence in Syria. According to an April 2016 UN estimate, the death toll among Syrian Government forces, opposition forces, and civilians was over 400,000, though other estimates placed the number well over 500,000. As of December 2019, approximately 6 million Syrians were internally displaced. Approximately 11.1 million people were in need of humanitarian assistance across the country, and an additional 5.7 million Syrians were registered refugees in Turkey, Jordan, Iraq, Egypt, and North Africa. The conflict in Syria remains one of the largest humanitarian crises worldwide."

  "Now in its ninth year, the conflict in Syria continues to take a heavy toll on the life of and economy of the Syrian people. The death toll in Syria directly related to the conflict as of early 2016 was estimated at more than 400,000 (UN, Apr 2016), with many more injured, and lives upheaved. The social and economic impact is huge and worsening: the lack of sustained access to health care, education, housing, and food has exacerbated the effects of the conflict, pushing millions of people into unemployment and poverty. About 6.2 million Syrians are internally displaced—more than a third of them children—and over 5.6 million officially registered as refugees (UNHCR, 2019) A severely degraded healthcare system makes Syrians extremely vulnerable to additional shocks, such as an outbreak of COVID-19. In addition, the severe decline in oil receipts and disruption of other trade have placed more pressure on Syria's external balances, leading to a rapid depletion of its international reserves."

  "In 2017, the World Bank produced two reports on the impact of the Syrian conflict: (i) a Damage Assessment of Aleppo, Idlib, and Hama , and (ii) an Economic and Social Impact Analysis (ESIA) of the conflict on Syria, called the Toll of War . The reports estimate Syria's cumulative GDP losses from 2011 to 2016 at US$226 billion, with the latter study finding that losses due to economic disruption exceeded those due to physical destruction by a factor of 20. The longer the conflict lasts, the more difficult recovery will be, as these losses become more persistent over time."

- **International Rankings:** The UN Human development ranking in 2019 is a very low 154 out of 189. The World Bank percentile governance ranking in 2018 is an extremely low 1.4. Syria has very high corruption by regional standards (178th out of 198 countries), and the World Bank "Doing Business Ranking" rates Syria at "Poor" at only 176th out of 190 countries, one of worst in the world.
- **Population Pressure in millions:** 3.5 in 1950, 16.5 in 2000, 22.2 in 2010, 19.4 in 2020, and 33.2 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $39.7 billion; GNI per capita = $1,820. (2007)
- **Five Year Prognosis:** Syria will remain an intractable mess.

9. Lebanon:

- **Ranking: Category F Failed State**
- **Summary:** Lebanon has experienced decades of internal sectarian conflict, which have led to the creation of sectarian elites who govern and act to serve their own interests, as well as the empowerment of Hezbollah as a militaristic state supported by Iran. In spite of many promises of reform, Lebanon has collapsed because of massive corruption and ineffective leadership and governance, coupled with an economy that became the equivalent of a Ponzi scheme that made the country a mess before the Coronavirus pandemic and the explosion in Beirut Harbor. There is no emerging leader as an effective option for governance. Humanitarian aid will simply prolong failure. The is a serious risk that Hezbollah's missile buildup and military efforts will trigger a grave military confrontation with Israel.
  "The 1975-90 civil war seriously damaged Lebanon's economic infrastructure cut national output by half, and derailed Lebanon's position as a Middle Eastern banking hub. Following the civil war, Lebanon rebuilt much of its war-torn physical and financial infrastructure by borrowing heavily, mostly from domestic banks, which saddled the government with a huge debt burden. Pledges of economic and financial reforms made at separate international donor conferences during the 2000s have mostly gone unfulfilled, including those made during the Paris III Donor Conference in 2007, following the July 2006 war. The "CEDRE" investment event hosted by France in April 2018 again rallied the international community to assist Lebanon with concessional financing and some grants for capital infrastructure improvements, conditioned upon long-delayed structural economic reforms in fiscal management, electricity tariffs, and transparent public procurement, among many others."

  "The Syria conflict cut off one of Lebanon's major markets and a transport corridor through the Levant. The influx of nearly one million registered and an estimated 300,000 unregistered Syrian refugees has increased social tensions and heightened competition for low-skill jobs and public services. Lebanon continues to face several long-term structural weaknesses that predate the Syria crisis, notably, weak infrastructure, poor service delivery, institutionalized corruption, and bureaucratic over-regulation. Chronic fiscal deficits have increased Lebanon's debt-to-GDP ratio, the third highest in the world; most of the debt is held internally by Lebanese banks."

  "These factors combined to slow economic growth to the 1-2% range in 2011-17, after four years of averaging 8% growth. Weak economic growth limits tax revenues, while the largest government expenditures remain debt servicing, salaries for government workers, and transfers to the electricity sector. These limitations constrain other government spending, limiting its ability to invest in necessary infrastructure improvements, such as water, electricity, and transportation."

- **International Rankings:** The UN Human development ranking in 2019 is a low to moderate 92 out of 189. The World Bank percentile governance ranking in 2018 is an extremely low 12.0. Lebanon has high corruption by regional standards (137th out of 198 countries), and the World Bank "Doing Business Ranking" rates Lebanon "Poor" at only 143rd out of 190 countries.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $53.1 billion; GNI per capita = $7,600.
- **Population Pressure in millions:** 1.4 in 1950, 3.8 in 2000, 4.5 in 2010, 5.5 in 2020, and 5.6 estimated for 2050.
- **Five Year Prognosis:** Lebanon will remain an intractable mess.

10. Turkey

- **Ranking: Category C Failed State**
- **Summary:** Turkey has a steadily more authoritarian rule and tilts towards an Islamic rather than secular government. Turkey experienced a shift from economic growth and reform to wasteful political and economic opportunism. The repression of Kurds as "terrorists," the increasing Islamist tilt, and its role in Syria and Iraq makes Turkey a regional "spoiler" rather than an asset.
  "On 15 July 2016, elements of the Turkish Armed forces attempted a coup that ultimately failed following widespread popular resistance. More than 240 people were killed and over 2,000 injured when Turkish citizens took to the streets en masse to confront the coup forces. The government accused followers of the Fethullah Gulen transnational religious and social movement ("Hizmet") for allegedly instigating the failed coup and designates the movement's followers as terrorists."

  "Since the attempted coup, Turkish Government authorities arrested, suspended, or dismissed more than 130,000 security personnel, journalists, judges, academics, and civil servants due to their alleged connection to Gulen's movement. Following the failed coup, the Turkish Government instituted a State of Emergency from July 2016 to July 2018. The Turkish Government conducted a referendum on 16 April 2017 in which voters approved constitutional amendments changing Turkey from a parliamentary to a presidential system. The amendments went into effect fully following the presidential and parliamentary elections in June 2018."

  "The overall macroeconomic picture is more vulnerable and uncertain, given rising inflation and unemployment, contracting investment, elevated corporate and financial sector vulnerabilities, and patchy implementation of corrective policy actions and

  "There are also significant external headwinds due to ongoing geopolitical tensions in the subregion. The impact of the COVID-19crisis is expected to have a severely negative effect in Turkey, further weakening economic and social gains."

- **International Rankings:** The UN Human development ranking in 2019 is a moderate 59. The World Bank percentile governance ranking in 2018 is a moderate 43.8. Turkey has moderate to high corruption by regional standards (91th out of 198 countries), and the World Bank "Doing Business Ranking" rates Turkey "Very good" at 33rd out of 190 countries.
- **Population Pressure in millions:** 21.1 in 1950, 66.0 in 2000, 74.7 in 2010, 82.0 in 2020, and 89.3 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $741.9 billion; GNI per capita = $9,610.
- **Five Year Prognosis:** Turkey will likely remain in Category C as long as Erdogan remains in power. However, increasing involvement in neighbors' security affairs and growing economic strains could drop to Category D.

11. Jordan

- **Ranking: Uncertain Success**
- **Summary:** Jordan has limited resources but still demonstrates progress. There is moderate internal security effort, low repression, and some political and economic reform. Still, Jordan needs reform of the government and economy as well as more functional political parties. Jordan was hurt by the indirect impact of the Coronavirus and the crisis in petroleum economies.
  " King Hussein's eldest son assumed the throne following his father's death in 1999. He has implemented modest political reforms, including the passage of a new electoral law in early 2016 and an effort to devolve some authority to governorate- and municipal-level councils following subnational elections in 2017. In 2016, the Islamic Action Front, which is the political arm of the Jordanian Muslim Brotherhood, returned to the National Assembly with 15 seats after boycotting the previous two elections in 2010 and 2013."

  "Economic activity remained weak in Jordan. Real GDP growth during the first three quarters of 2019 stood at 1.9%, consistent with the trend over the past three years. Headline inflation remained subdued throughout 2019 with growth in consumer prices averaging at 0.8% compared to 4.5% in 2018. Similar trend in prices continued during the first two months of 2020. External sector imbalances narrowed significantly. The current account deficit (CAD) during 9M-2019 declined by almost 60% to US$ 1.08 billion (3.4% of GDP) compared to US$ 2.87 billion (9.3% of GDP) during the same time in 2018. This reduction has been primarily driven by a 15.1% contraction in the country's trade deficit, particularly in the non-oil trade deficit."

  "Jordan's near-term growth prospects has substantially weakened due to the COVID-19 pandemic. Jordan's economic growth is projected to contract significantly to -3.5% of GDP in 2020. This assessment is assuming significant slowdown in the global and reduced domestic demand during 2020. As 2020 unfolds, a reduction in domestic economic activity is expected to become more intense as social distancing intensifies (full curfew was imposed indefinitely on March 21), having significant negative implications for domestic demand."

  "The coronavirus pandemic poses an immediate significant downside risk to the global economic recovery and to Jordan's. This along with this heightened regional uncertainty pose further challenges for Jordanian economy. Given Jordan's already elevated debt levels, policy responses are constrained by limited fiscal space and a COVID-19-induced sharp drop in capital flows to emerging markets as global risk aversion surges."

- **International Rankings:** The UN Human development ranking in 2019 is a low to moderate 92 out of 189. The World Bank percentile governance ranking in 2018 is high for the region: 60.6. Jordan has low corruption by regional standards (60th out of 198 countries), and the World Bank "Doing Business Ranking" rates Jordan "Moderate" at 75th out of 190 countries.
- **Population Pressure in millions:** 561,000 in 1950; 4.7 in 2000; 6.8 in 2010; 10.8 in 2020; and 15.6 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $43.4 billion; GNI per capita = $4,300.
- **Five Year Prognosis:** The future of Jordan is uncertain.

12. Iraq:

- **Ranking: Category C Failed State**
- **Summary:** Iraq has not recovered from its war against ISIS; the government is still weak and unstable; and security forces have uncertain capability. There still are deep ethnic and sectarian divisions, and even further divisions within Shi'ite, Sunni, and Kurdish areas and political structures. Iraq faces massive corruption at all levels, Iranian pressure, Turkish intervention in the north, instability in the Syrian border area near Turkey, and independent militias and remnants of ISIS that still remain a threat.
  Weak recovery and reconstruction efforts in the areas hit hardest by fighting against ISIS. There is poor distribution of petroleum revenues, investments, and provision of many government services. Iran often exploits its ties to Iraq and only further aggravates security problems, as do Turkish military interventions against Kurdish groups located in Syria, and the unresolved governance and security situation in Western Iraq.

  The grossly distorted and inflated state sector has far too many civil servants and weak, overstaffed state industries. Petroleum exports provide roughly 85% of government revenue and 80% of foreign exchange earnings. Iraq has an extremely large and inefficient state sector and government owned enterprises, which consume large portion of revenues with little productive output. The high levels of military and security spending involve significant waste.

  "Iraq is making slow progress enacting laws and developing the institutions needed to implement economic policy, and political reforms are still needed to assuage investors' concerns regarding the uncertain business climate. The Government of Iraq is eager to attract additional foreign direct investment, but it faces a number of obstacles, including a tenuous political system and concerns about security and societal stability. Rampant corruption, outdated infrastructure, insufficient essential services, skilled labor shortages, and antiquated commercial laws stifle investment and continue to constrain growth of private, nonoil sectors. Under the Iraqi constitution, some competencies relevant to the overall investment climate are either shared by the federal government and the regions or are devolved entirely to local governments. Investment in the IKR operates within the framework of the Kurdistan Region Investment Law (Law 4 of 2006) and the Kurdistan Board of Investment, which is designed to provide incentives to help economic development in areas under the authority of the KRG."

  "…Iraqi leaders remain hard-pressed to translate macroeconomic gains into an improved standard of living for the Iraqi populace. Unemployment remains a problem throughout the country despite a bloated public sector. Overregulation has made it difficult for Iraqi citizens and foreign investors to start new businesses. Corruption and lack of economic reforms - such as restructuring banks and developing the private sector – have inhibited the growth of the private sector."

  "Iraq is in a fragile situation. It faces a difficult fiscal crunch, arising from the collapse in international oil prices coupled with persistent political and social turmoil. This situation is exacerbated by the rapid spread of COVID-19, which the country's healthcare system has limited capacity and limited fiscal buffers to contain and manage."

  "In October 2019, young Iraqis took to the streets in mass protests to denounce rampant corruption, poor services, and high unemployment. These demonstrations exposed the fragility of the Iraqi socio-economic system. To appease demonstrators, the Government of Iraq (GOI) announced a stimulus package consisting of a considerable expansion in public sector employment, pensions, and transfers. This response was seen by some as ineffective, as boosting job creation, stimulating private sector participation, and enacting meaningful anti-corruption measures require longer-term structural reforms that did not feature in the package. Nevertheless, with record level oil production and agricultural yields, the expansion of electricity production, and fiscal loosening, overall GDP growth finished the year at 4.4%. Inflation remained subdued at an average of 0.2% in 2019. This was largely driven by cheaper imports from neighboring countries, prompting the GOI to raise tariffs and impose import bans on selected food items in response to calls from domestic producers."

  "The fiscal stimulus has reduced the 11.2% of GDP budget surplus in 2018 to 3% of GDP in 2019 and came at the expense of critical spending on both human capital and reconstruction. Indeed, although investment spending has slightly increased (by 5%), its execution rate has remained at only 45% of the amount budgeted. Most of the spending went to oil-related investments. Non-oil sector investment execution stood at a mere 18%, raising concerns over public service delivery, a rising infrastructure gap, and a stalled reconstruction program."

  "Going forward, the economic outlook for Iraq is challenging. The collapse in international oil prices and other unfavorable global conditions, including disruptions caused by the spread of COVID-19, are expected to hit Iraq hard, leading to a 5% contraction in its economy in 2020. In the absence of significant reforms to boost private sector participation, it will be difficult to jump-start the economy; growth is projected to gradually revert to its low-base potential of 1.9-2.7% in 2021–2022. The budget rigidities, compounded over the past two years, are expected to have detrimental fiscal effects amidst weaker oil-related revenues. At US$30 an oil barrel and in the absence of planned consolidation measures, the budget deficit was projected to surge to a staggering 19% of GDP by end-2020. As a result, the GOI is expected to face a severe financing gap which could not only lead it to postpone vital infrastructure projects in service delivery sectors, as well as postponing human capital programs, but also reduces the country's ability to respond to post-COVID-19 recovery needs."

- **International Rankings:** The UN Human development ranking in 2019 is a low 120 out of 189. The World Bank percentile governance ranking in 2018 is a very low 7.2. Iraq has very high corruption by regional standards (162nd out of 198 countries), and the World Bank "Doing Business Ranking" rates Iraq only 172nd out of 190 countries, one of worst in the world.
- **Population Pressure in millions:** 5.29 in 1950, 22.8 in 2000, 29.1 in 2010, 38.9 in 2020, and 63.0 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $233.0 billion; GNI per capita = $5,740.
- **Five Year Prognosis:** Iraq has been in a state of crisis or conflict since 1980, and it is unclear whether Iraq can develop an effective central government and unify in spite of its sectarian and ethnic differences. Iraq has great potential but civil conflicts, links to Iran, and its possible role in a major regional conflict could reduce Iraq to a Category E or F level of failure.

13. Iran

- **Ranking: Category D to Category E Failed State**
- **Summary:** Iran has a repressive theocracy and IRGC elite. It also has a deeply flawed justice system, rigged elections, and massive state support of political and military intervention and terrorism in other states. It is deeply

corrupt with oil wealth and national income that flows to its clergy, IRGC, and client states.
Iran has evolved effective missile forces and hybrid warfare capabilities but at a high cost and with limited ability to escalate to a major conflict. Its interventions in Lebanon, Iraq, and Syria have given it considerable influence but little clear strategic benefits, and its participation in a regional arms race against many of its Arab Gulf neighbors – and nuclear and long-range missile projects – impose major economic burdens and a serious risk of a major conflict. Again, however, they are without any clear and lasting strategic benefits to Iran.

At a domestic level, the government has faced growing popular demonstrations, and it still faces the problems imposed by decades of poor economic policies compounded by the impact of U.S. and UN sanctions, Coronavirus crisis, and petroleum price crisis. It has so far succeeded in repressing such resistance, and in rigging Iran's latest election – but growing repression does not mean growing support.

"Government directly owns and operates hundreds of state-owned enterprises and indirectly controls many companies affiliated with the country's security forces. Distortions - including corruption, price controls, subsidies, and a banking system holding billions of dollars of non-performing loans - weigh down the economy, undermining the potential for private-sector-led growth." Spending on military and support of Hezbollah, Assad regime, and other interventions further limits development and broad distribution of income."

"The recession in Iran accelerated in 2019/20 as US sanctions progressively tightened. Iran's GDP contracted by 7.6% in the first 9 months of 2019/20 (Apr-Dec 2019) largely due to a 37% decline in the oil sector. Since the reintroduction of US sanctions in 2018, oil production has dwindled reaching a record low of 2 mbpd in December 2019. Non-oil GDP growth in Apr-Dec 2019 was close to zero, a marginal improvement compared to the sector's 2.1% contraction in 2018/19. In the same period, non-oil industries grew by 2% driven by construction and the utilities sectors, while services value-added contracted by 0.2%. The recent COVID-19 outbreak has significantly disrupted trade, tourism and retail business during the busiest period for travel and commerce.

"Facing a growing pandemic, low oil prices and increasing sanctions, Iran's GDP growth is projected to remain subdued in 2020/21-2022/23. The baseline outlook is primarily driven by COVID-19 outbreak reducing oil and non-oil GDP in 2020/21 and two subsequent years of modest recovery. Oil production in 2021/22 and 2022/23 is expected to grow in line with long term domestic consumption growth. The fiscal deficit is projected to widen as revenues fall short of targets and COVID-19 adds to expenditures. The 2020/21 draft budget, though contractionary in real terms, relies on optimistic assumptions. The expected widening budget deficit especially in light of COVID-19 and other exogenous shocks are likely to lead to further debt issuance and withdrawals from strategic reserves."

"The current unique situation of Iran's economy presents significant downside risks for the baseline forecast. The most significant risk is a stronger and more protracted impact of the COVID-19 outbreak through various channels including widescale contractions in commerce, tourism and trade as well as higher production costs. Persistence of lower oil prices and export volumes (e.g., due to a significant decline in China's oil demand) would result in a substantially larger overall shock and fiscal deficit in 2020/21."

- **International Rankings:** The UN Human development ranking in 2019 is a moderate 65. The World Bank percentile governance ranking in 2018 is a low 15.9. Iran's corruption ranking is high (146th out of 198 countries); and the World Bank "Doing Business Ranking" rates Iran "Poor" at only 127th out of 190 countries.
- **Population Pressure in millions:** 16.4 in 1950, 66.5 in 2000, 75.0 in 2010, 85.9 in 2020, and 98.6 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $446.2 billion; GNI per capita = $5,420.
- **Five Year Prognosis:** Iran is expected to experience little change, with a serious possibility of war or major military clash with the U.S. or its neighbors.

14. Bahrain

- **Ranking: Category B to Category C Failed State**
- **Summary:** Bahrain has experienced progress in many areas, but its Sunni minority and ruling family are increasingly repressive in dealing with the native Shi'ite majority. Bahrain is also heavily dependent on Saudi aid and foreign workers at expensive of own citizens.
  " The Sunni royal family has long struggled to manage relations with its large Shia-majority population. In early 2011, amid Arab uprisings elsewhere in the region, the Bahraini Government confronted similar pro-democracy and reform protests at home with police and military action, including deploying Gulf Cooperation Council security forces to Bahrain. Failed political talks prompted opposition political societies to boycott 2014 legislative and municipal council elections. In 2018, a law preventing members of political societies dissolved by the courts from participating in elections effectively sidelined the majority of opposition figures from taking part in national elections. As a result, most members of parliament are independents. Ongoing dissatisfaction with the political status quo continues to factor into sporadic clashes between demonstrators and security forces."

"Despite the Government's past efforts to diversify the economy, oil still comprises 85% of Bahraini budget revenues. In the last few years lower world energy prices have generated sizable budget deficits - about 10% of GDP in 2017 alone. Bahrain has few options for covering these deficits, with low foreign assets and fewer oil resources compared to its GCC neighbors. The three major US credit agencies downgraded Bahrain's sovereign debt rating to "junk" status in 2016, citing persistently low oil prices and the government's high debt levels. Nevertheless, Bahrain was able to raise about $4 billion by issuing foreign currency denominated debt in 2017."

"Other major economic activities are production of aluminum - Bahrain's second biggest export after oil and gas –finance, and construction. Bahrain continues to seek new natural gas supplies as feedstock to support its expanding petrochemical and aluminum industries. In April 2018 Bahrain announced it had found a significant oil field off the country's west coast, but is still assessing how much of the oil can be extracted profitably."

"In addition to addressing its current fiscal woes, Bahraini authorities face the long-term challenge of boosting Bahrain's regional competitiveness — especially regarding industry, finance, and tourism — and reconciling revenue constraints with popular pressure to maintain generous state subsidies and a large public sector. Since 2015, the government lifted subsidies on meat, diesel, kerosene, and gasoline and has begun to phase in higher prices for electricity and water."

"The government Fiscal Balance program (FBP), announced in 2018, accompanied by US$10 billion in GCC financial support will alleviate financing constraints in the aftermath of 2014 oil price shock. Key challenges facing Bahrain include the need to fully implement the FBP reforms. Bahrain will need to pursue energy subsidy reform and control large off-budget expenditures, while pursuing its diversification strategy…A key constraint is the limited room for budgetary expenditure cuts to achieve big gains, since they will largely need to come from reducing social spending. The second constraint relates to off-budget expenditures, which contribute around 5 percentage points to the overall deficit and may be difficult to cut. Third, the plan will need to be more ambitious on non-oil revenue generation."

- **International Rankings:** The UN Human development ranking in 2019 is a high 45 out of 189. The World Bank percentile governance ranking in 2018 is a high 59.6. Bahrain has moderate corruption by regional standards (77th out of 198 countries), and the World Bank "Doing Business Ranking" rates Bahrain "Good" at 43rd out of 190 countries.
- **Population Pressure in millions:** 0.115 in 1950, 0.655 in 2000, 1.2 in 2010, 1.5 in 2020, and 1.8 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $ 36.3 billion; GNI per capita = $22,110.
- **Five Year Prognosis:** Bahrain has high potential if it can reduce repression and heal divisions between its Sunni and Shi'ite population. Bahrain, however, may drop a rank to Category C failure without such change.

15. Kuwait

- **Ranking: Uncertain success to Category A Failed State**
- **Summary:** The feuding between Qatar and Saudi Arabia, the UAE, and Bahrain has seriously undermined the already limited capabilities of the Gulf Cooperation Council, and left Kuwait more exposed to Iran.
  Kuwait has a Popular Assembly, but its performance has been unstable, opposition is divided, and popular governance has limited impact. Some divisions in the royal family, such as illness and the age of ruler raise some succession issues. There is little repression of the native population, but there is poor treatment of foreign workers.

"An opposition coalition of Sunni Islamists, tribal populists, and some liberals, largely boycotted legislative elections in 2012 and 2013, which ushered in a legislature more amenable to the government's agenda. Faced with the prospect of painful subsidy cuts, oppositionists and independents actively participated in the November 2016 election, winning nearly half of the seats but a cohesive opposition alliance largely ceased to exist with the 2016 election and the opposition became increasingly factionalized. Since coming to power in 2006, the Amir has dissolved the National Assembly on seven occasions (the Constitutional Court annulled the Assembly elections in June 2012 and again in June 2013) and shuffled the cabinet over a dozen times, usually citing political stagnation and gridlock between the legislature and the government."

Kuwait distributes petroleum wealth better than many neighbors, and there no major ethnic or sectarian divisions, but "Kuwait depends on its petroleum export income and that a large public sector employs about 74% of citizens, and an acrimonious relationship exists between the National Assembly and the executive branch that has stymied most economic reforms. Cuts in petroleum prices have pushed into deficit spending and diversification plans have largely failed and some have raised issues about waste and corruption."

"Kuwait has a geographically small, but wealthy, relatively open economy with crude oil reserves of about 102 billion barrels - more than 6% of world reserves. Kuwaiti officials plan to increase production to 4 million barrels of oil equivalent per day by 2020. Petroleum accounts for over half of GDP, 92% of export revenues, and 90% of government income."

"Kuwait has failed to diversify its economy or bolster the private sector, because of a poor business climate, a large public sector that employs about 74% of citizens, and an acrimonious relationship between the National Assembly and the executive branch that has stymied most economic reforms. The Kuwaiti Government has made little progress on its long-term economic development plan first passed in 2010. While the government planned to spend up to $104 billion over four years to diversify the economy, attract more investment, and boost private sector participation in the economy, many of the projects did not materialize because of an uncertain political situation or delays in awarding contracts. To increase non-oil revenues, the Kuwaiti Government in August 2017 approved draft bills supporting a Gulf Cooperation Council-wide value added tax scheduled to take effect in 2018."

"Subdued oil prices and lower oil production led to slower overall economic growth in 2019, but robust public spending and credit growth are expected to underpin non-oil growth through the medium term. The steep downturn in oil prices since March and slower global growth spurred by the coronavirus will be absorbed by fiscal and financial buffers, at the expense of sustainability and diversification. This underscores the need for implementing fiscal and structural reforms to diversify away from hydrocarbons, support private sector activity and lay the foundations for a more sustainable growth model… Notwithstanding Kuwait's large oil reserves, the global shift to cleaner energy threatens economic and fiscal sustainability over the long term. Large financial assets underpin Kuwait's economic resilience, but fiscal and structural reform are key to offset the risks of lower oil prices and uncertain output."

- **International Rankings:** The UN Human development ranking in 2019 is a high to moderate 57 out of 189. The World Bank percentile governance ranking in 2018 is a moderate to high 49.5 but has dropped from 55.8 in 2008. Kuwait has moderate to high levels of corruption by regional standards (85nd out of 198 countries), and the World Bank "Doing Business Ranking" rates Kuwait "Moderate to poor" at 83rd out of 190 countries.
- **Population Pressure in millions:** 0.145 in 1950, 2.0 in 2000, 2.5 in 2010, 3.0 in 2020, and 3.9 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $162.6 billion; GNI per capita = $34,290.
- **Five Year Prognosis:** Kuwait's mid-term potential is good if its royal family does not divide and the global petroleum market has at least a modest recovery.

16. Qatar

- **Ranking: Category A Failed State**
- **Summary:** Qatar has experienced significant progress in many areas, such as the rule of law, low levels of repression and security measures for native population, and some elements of political and governance reform, particularly in the treatment of foreign workers. Qatar has, however, overspent on infrastructure and showpiece projects, but its gas and oil exports protect the economy and deficits are not critical. Qatar is rated Category A largely because of its tensions with Saudi Arabia, UAE, on other neighbors. Qatari tolerance of media attacks on Saudi Arabia as well as its covert role in conflicts and civil tensions of other states has produced little success and has rather been largely disruptive.
  " Qatar did not experience domestic unrest or violence like that seen in other Near Eastern and North African countries in 2011, due in part to its immense wealth and patronage network. In mid-2013, HAMAD peacefully abdicated, transferring power to his son, the current Amir TAMIM bin Hamad. TAMIM is popular with the Qatari public, for his role in shepherding the country through an economic embargo by some other regional countries, for his efforts to improve the country's healthcare and education systems, and for his expansion of the country's infrastructure in anticipation of Doha's hosting of the 2022 World Cup."

"Recently, Qatar's relationships with its neighbors have been tense, although since the fall of 2019 there have been signs of improved prospects for a thaw. Following the outbreak of regional unrest in 2011, Doha prided itself on its support for many popular revolutions, particularly in Libya and Syria. This stance was to the detriment of Qatar's relations with Bahrain, Egypt, Saudi Arabia, and the United Arab Emirates (UAE), which temporarily recalled their respective ambassadors from Doha in March 2014. TAMIM later oversaw a warming of Qatar's relations with Bahrain, Egypt, Saudi Arabia, and the UAE in November 2014 following Kuwaiti mediation and signing of the Riyadh Agreement. This reconciliation, however, was short-lived. In June 2017, Bahrain, Egypt, Saudi Arabia, and the UAE (the "Quartet") cut diplomatic and economic ties with Qatar in response to alleged violations of the agreement, among other complaints."

"Saudi/UAE Boycott of Qatar has been counterproductive, but so have Qatari media attacks on neighbors. Covert Qatari efforts in other trouble regional states have had mixed success and been largely dysfunctional and disruptive. More broadly, boycotts have sharply undercut the already weak Gulf Cooperation Council security efforts, and instead has made Qatar dependent on support from the United States, Oman, and Turkey, while also promoting good relations with Iran."

" Qatar, the world's fifth-largest gas producer, second-largest gas exporter, and largest LNG exporter, has seen tepid growth throughout 2019. This reflects sluggishness in the hydrocarbon (HC) and non-HC sectors. The HC sector has reflected production restraint and phasing of new projects, while the non-HC sector reflects a gradual winding down of a decade-long boom associated with the implementation of large infrastructure projects in preparation for the FIFA 2022 World Cup."

"Growth is projected to stall in 2020 even with increased government spending to ease the economic impact of COVID-19 containment, and to rise towards 3% in the medium term driven by stronger activity in the service sector as the FIFA World Cup 2022 underpins a V-shaped recovery. Under the Qatar National Vision 2030, nearly QR60bn (US$16.4 billion) in infrastructure and real estate investments are planned over the next four years to help offset falling FIFA-investment spending and ensure a beneficial legacy. While envisaging large-scale LNG capacity expansion plans, which should increase gas liquefaction capacity by more than a third, exploitation of the North Field will be further delayed given adverse developments in gas prices."

"Major external risks are materializing. Although Qatar is protected from spot oil price volatility through LNG long-term contracts, natural gas prices overall were already weak prior to the OPEC+ and COVID-19 shocks due to the mild winter in major markets and the overhang of previously isolated US gas supply coming onto the global market. The crash in hydrocarbon prices will lead to a renewed pressure on LNG pricing and volumes and deterioration in fiscal and external balances, particularly if government spending continues to rise over the medium term. Qatar's low-cost dominance in LNG export markets is threatened by new and emerging producers, notably Australia, the USA, and over the coming years, Egypt and Mozambique."

- **International Rankings:** The UN Human development ranking in 2019 is a high 41 out of 189. The World Bank percentile governance ranking in 2018 is very high for the region: 74.5. Qatar has very low corruption by regional standards (30th out of 198 countries), and the World Bank "Doing Business Ranking" rates Qatar "Moderate to poor" at 77th out of 190 countries.
- **Population Pressure in millions:** 25,000 in 1950; 640,000 in 2000; 1.7 in 2010; 2.4 in 2020; and 2.6 estimated for 2050.
- **Total Pre-Corona Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $171.9 billion; GNI per capita = $63,410.
- **Five Year Prognosis:** Qatar's potential is good if it can reconcile with neighbors and avoid clashes with Iran.

17. United Arab Emirates (UAE)

- **Ranking: Category A Failed State**
- **Summary:** The United Arab Emirates has not made major recent progress in political reform and has become more repressive. It has diversified more than most Gulf exporting counties and invested in its poorer northern emirates, but it has overspent on security and military forces while Dubai's economy has become steadily more speculative.
  The UAE overspends on military forces with limited security benefits, and at levels of GNP that put a strain on its economy. The leadership has been compromised by possible ties to arrests and deaths. Its role in the Yemeni civil war has so far been an expensive failure. The boycott of Qatar has also been counterproductive.

"Economic growth remained unchanged at 1.7% in 2019 as the pick-up in the HC sector was offset by a slowdown in the rest of the economy. Official estimates suggest non-oil real GDP growth slowed to 0.3% in Q2 2019. The slowdown in real estate continues due to oversupply and associated debt overhang — average residential prices fell in Q4 2019 by 7-7.5% y/o/y in Dubai and Abu Dhabi."

"Growth in 2020 is subject to major uncertainty due to the COVID-19 pandemic and low oil prices. Travel restrictions are hitting tourism, and social distancing will contract domestic consumption. Cognizant of these exposures, the authorities moved quickly to implement a containment strategy, cancel sporting events, and tighten travel procedures. Given the UAE's status as a global logistics and reprocessing hub, a global slowdown and disruptions in supply chains will weigh heavily on the UAE's non-oil sector, which was already facing persistently weak business sentiment and a prolonged real estate downturn."

- **International Rankings:** The UN Human development ranking in 2019 is a high 35 out of 189. The World Bank percentile governance ranking in 2018 is very high for the region: 83.2. The UAE has very low corruption by regional standards (21st out of 198 countries), and the World Bank "Doing Business Ranking" rates UAE "Very Good" at 16th out of 190 countries.
- **Population Pressure in millions:** 72,000 in 1950; 3.2 in 2000; 8.4 in 2010; 10.0 in 2020; and 13.3 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $423.2 billion; GNI per capita = $43,470.
- **Five Year Prognosis:** The UAE will decline to "Category B to Category C failure" status if it does not limit repression, stop feuding with Qatar, and take a more realistic and well managed approach to military spending and economic reforms.

18. Saudi Arabia

- **Ranking: Category A to Category B Failed State**
- **Summary:** Saudi Arabia has made important progress in social reform but not in political reform. It has become more repressive and experienced a decline in the rule of law. Its broad reform goals in its 2030 and other plans set good goals, but its execution is poor, wasteful, and often directed towards grandiose goals and projects of uncertain practical benefit.
  Saudi Arabia overspends on military security forces with mixed actual security benefits, but it does face a continuing threat from Iran, terrorism and extremism. Military and security spending is a high percent of its GDP, which puts a serious strain on the economy. Efforts to create new Arab alliances have so far had largely a cosmetic impact, and its role in the boycotts against Qatar has further weakened the

Gulf Cooperation Council. Leadership has been compromised by its role in repression, treatment of other members of the royal family, and possible ties to arrests and deaths.

Its role in the Yemeni civil war has so far been an expensive failure.

“The contracting oil sector led to sluggish growth in 2019, despite strong performance of non-oil sectors. The outlook for 2020 remains very weak in the wake of COVID-19 and oil supply shocks. Medium-term fiscal balances are estimated to continue in deficit— risking the ability in realizing Vision 2030 fiscal targets. Vision 2030 related reforms are critical for diversification, and progress was made on business environment reforms. COVID-19 response includes preservation of gains made in job creation for nationals in the private sector.”

“Growth stalled in 2019, driven largely by the deliberate oil production cuts in excess of those required under OPEC+ agreement, and lower oil prices. Overall, the economy grew by 0.3% in 2019 despite strong performance of non-oil sectors supported by private consumption and investments. The stronger non-oil sector offset the headwinds from oil, with December headline inflation recording a positive reading for the first time in a year.”

“Growth will initially pivot to higher oil production as announced in March 2020, pending further agreement with OPEC+ and G20 countries. Weaker growth is anticipated in the non-oil sectors reflecting low domestic demand as COVID-19 closures and suspensions disrupt critical sectors in the economy; these effects are assumed to be concentrated within 2020. Despite indicated spending cuts to weather the fall in oil receipts, the fiscal deficit is expected to widen in 2020. COVID-19 related health spending will be prioritized, for example a commitment to free treatment for all residents (not only nationals). The deficit narrows afterwards as oil prices moderately recover to levels well below consensus assumptions at the start of the year.”

“There are two major downside risks, both of which are materializing at the same time. First, the recent lapse of OPEC+ agreement places further downward pressure on oil prices as several main players reported plans of increased production, sometimes with huge discounts, to an existing sizeable market surplus. Saudi Arabia is participating in efforts to stabilize prices, through existing production coordination mechanisms (OPEC+) and the G20. Second, the continually downgraded global growth outlook due to COVID-19 and its impact on energy demand and hydrocarbon earnings. Moreover, limited information on the extent and duration of the outbreak makes it difficult to evaluate the indirect channels of impact in the economy, e.g. value chains and tradable sectors; preventive measures taken by the authorities, e.g. travel restrictions and the suspension of work for public and private sectors; or potential austerity measures in response to declining revenues.”

- **International Rankings:** The UN Human development ranking in 2019 is a high 36. The World Bank percentile governance ranking in 2018 is moderate to high: 65.9. Saudi Arabia has low to moderate corruption by regional standards (51st out of 198 countries), and the World Bank “Doing Business Ranking” rates Saudi Arabia “Moderate” at 62nd out of 190 countries.
- **Population Pressure in millions:** 3.9 in 1950, 21.4 in 2000, 28.0 in 2010, 34.2 in 2020, and 46.9 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $ 800.9 billion; GNI per capita = $22,850.
- **Five Year Prognosis:** Saudi Arabia will decline to “Category B to Category C failure” status if it does not limit repression and sectarian divisions, stop feuding with Qatar, and take a more realistic and well managed approach to it military spending, 2030 projections, and other economic reforms.

19. Oman

- **Ranking: Uncertain success**
- **Summary:** Oman has experienced slow but steady progress in development, political reform, and meeting popular needs over time. It is less repressive than most Gulf governments, and less corrupt. Oman is overdependent on oil and gas resources, which can generate between and 68% and 85% of government revenue, and its diversification efforts have so far had limited impact.
  Oman has distanced itself from Saudi Arabia and UAE in the Gulf Cooperation, over the boycott of Qatar and in support of the war in Yemen. The crisis in world petroleum prices has affected Oman’s national budget, and its military spending consumes an exceptionally high percentage of GNP. Oman does actively seek to avoid confrontation with Iran.

  “Inspired by the popular uprisings that swept the Middle East and North Africa beginning in January 2011, some Omanis staged demonstrations, calling for more jobs and economic benefits and an end to corruption. In response to those protester demands, QABOOS in 2011 pledged to implement economic and political reforms, such as granting Oman’s bicameral legislative body more power and authorizing direct elections for its lower house, which took place in November 2011. Additionally, the Sultan increased unemployment benefits, and, in August 2012, issued a royal directive mandating the speedy implementation of a national job creation plan for thousands of public and private sector Omani jobs.”

  “As part of the government's efforts to decentralize authority and allow greater citizen participation in local governance, Oman successfully conducted its first municipal council elections in December 2012. Announced by the sultan in 2011, the municipal councils have the power to advise the Royal Court on the needs of local districts across Oman's 11 governorates.”

  “Sultan QABOOS, Oman's longest reigning monarch, died on 11 January 2020. His cousin, HAYTHAM bin Tariq bin Taimur Al-Said, former Minister of Heritage and Culture, was sworn in as Oman's new sultan the same day.”

  “Oman’s economy is expected to contract in 2020 due to the oil price slide and the COVID-19 public health response. An increase in gas output and infrastructure spending plans will help growth recover over 2021-22. Fiscal and external deficits will remain under strain due to low oil and gas prices. Rigid recurrent spending will keep public debt high, estimated to exceed 70% of GDP in 2020 and beyond. Real GDP growth is estimated to have decelerated to 0.5% in 2019, down from a recovery of 1.8% in 2018. This is largely driven by 1% (y/y) decline in oil production, capped by the since-lapsed OPEC+ production deal. The non-oil economy is estimated to have been subdued due to the slowdown in industrial activities and services sector. Inflationary pressures are estimated to remain muted at 0.1% in 2019, reflecting weak domestic demand and tame food and housing prices.”

  “Low oil prices and the spread of COVID-19 are the key challenges that Oman will need to navigate in the short-run. With oil prices in the mid-$30s in 2020 and constrained oil demand, growth is expected to contract by 3.5%. Forty five percent of Omani exports (or 21.7% of GDP), mostly oil, go to China, the highest Chinese exposure among GCC. Low oil prices will create challenges to the implementation of supportive public spending for the country with already high deficits, more limited buffers and an elevated debt level. As such, the fiscal deficit is expected to markedly widen to over 17% of GDP in 2020, before starting to slightly narrow down over 2021-2022, assuming more favorable oil prices.”

  “Key downside risks are reflected in further erosion of the fiscal balance, through far lower oil prices, exposure to China, and economic disruption to tourism due to COVID-19. Mitigation would be demonstrated by implementation of substantial fiscal measures to curtail the government deficits, a new push on privatization, and prioritizing capital projects. With its accumulated external debt, Oman will need a rapid normalization of emerging market funding conditions to finance the continued deterioration of the country's fiscal and external accounts. Significant new gas production in 2021 along with diversifying the economy in sectors such as manufacturing, tourism and fishing will support the growth momentum and lessen the risks. At the same time, enabling Petroleum Development Oman (PDO) to maintain or increase its oil and gas production has sizable investment needs. The pressure for job creation, resulting from the low employment rate of young Omanis, is a risk to public finances and the social situation.”

- **International Rankings:** The UN Human development ranking in 2019 is a moderate to high 47 out of 189. The World Bank percentile governance ranking in 2018 is moderate to high: 62.5. Oman has low to moderate corruption by regional standards (56th out of 198 countries), and the World Bank “Doing Business Ranking” rates Oman “Moderate” at 68th out of 190 countries.
- **Population Pressure in millions:** 489,000 in 1950; 2.4 in 2000; 3.0 in 2010; 3.6 in 2020; and 5.4 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $75.7 billion; GNI per capita = $15,330.
- **Five Year Prognosis:** Oman’s potential is uncertain, and the new Sultan needs time to show his ability to lead the government.

20. Yemen

- **Ranking: Category F Failed State**
- **Summary:** Yemen’s decades of failure to develop an effective economy and meet popular needs have now been compounded by a major set of civil conflicts and the outside role of Saudi Arabia, the UAE, and Iran. Population pressure, lack of arable land and water, and uncertain future petroleum exports all key factors. There is little prospect for real unity even if some compromise is found between the Houthis and the UN-recognized government.
  “Fighting in the northwest between the government and the Huthis, a Zaydi Shia Muslim minority, continued intermittently from 2004 to 2010, and then again from 2014-present. The southern secessionist movement was revitalized in 2007.”

  “Public rallies in Sana'a against then President Ali Abdallah SALIH - inspired by similar demonstrations in Tunisia and Egypt - slowly built momentum starting in late January 2011 fueled by complaints over high unemployment, poor economic conditions, and corruption. By the following month, some protests had resulted in violence, and the demonstrations had spread to other major cities. By March the opposition had hardened its demands and was unifying behind calls for SALIH's immediate ouster. In April 2011, the Gulf Cooperation Council (GCC), in an attempt to mediate the crisis in Yemen, proposed the GCC Initiative, an agreement in which the president would step down in exchange for immunity from prosecution. SALIH's refusal to sign an agreement led to further violence. The UN Security Council passed Resolution 2014 in October 2011 calling for an end to the violence and completing a power transfer deal. In November 2011, SALIH signed the GCC Initiative to step down and to transfer some of his powers to Vice President Abd Rabuh Mansur HADI. Following HADI's uncontested election victory in February 2012, SALIH formally transferred all presidential powers. In accordance with the GCC Initiative, Yemen launched a National Dialogue Conference (NDC) in March 2013 to discuss key constitutional, political, and social issues. HADI concluded the NDC in January 2014 and planned to begin implementing subsequent steps in the transition process, including constitutional drafting, a constitutional referendum, and national elections.”

  “The Huthis, perceiving their grievances were not addressed in the NDC, joined forces with SALIH and expanded their influence in northwestern Yemen, which culminated in a major offensive against military units and rival tribes and enabled their forces to overrun the capital, Sanaa, in September 2014. In January 2015, the Huthis surrounded the presidential palace, HADI's residence, and key government facilities, prompting HADI and the cabinet to submit their resignations. HADI fled to Aden in February 2015 and rescinded his resignation. He subsequently escaped to Oman and then moved to Saudi Arabia and asked the GCC to intervene militarily in Yemen to protect the legitimate government from the Huthis. In March, Saudi Arabia assembled a coalition of Arab militaries and began airstrikes against the Huthis and Huthi-affiliated forces. Ground fighting between Huthi-aligned forces and anti-Huthi groups backed by the Saudi-led coalition continued through 2016. In 2016, the UN brokered a months-long cessation of hostilities that reduced airstrikes and fighting, and initiated peace talks in Kuwait. However, the talks ended without agreement.”

  “The Huthis and SALIH’s political party announced a Supreme Political Council in August 2016 and a National Salvation Government, including a prime minister and several dozen cabinet members, in November 2016, to govern in Sanaa and further challenge the legitimacy of HADI’s government. However, amid rising tensions between the Huthis and SALIH, sporadic clashes erupted in mid-2017, and escalated into open fighting that ended when Huthi forces killed SALIH in early December 2017. In 2018, anti-Huthi forces made the most battlefield progress in Yemen since early 2016, most notably in Al Hudaydah Governorate. In December 2018, the Huthis and Yemeni Government participated in the first UN-brokered peace talks since 2016, agreeing to a limited ceasefire in Al Hudaydah Governorate and the establishment of a UN Mission to monitor the agreement. In April 2019, Yemen’s parliament convened in Say'un for the first time since the conflict broke out in 2014. In August 2019, violence erupted between HADI's government and the pro-secessionist Southern Transition Council (STC) in southern Yemen. In November 2019, HADI's government and the STC signed a power-sharing agreement to end the fighting between them.”

  “…Prior to the start of the conflict in 2014, Yemen was highly dependent on declining oil and gas resources for revenue. Oil and gas earnings accounted for roughly 25% of GDP and 65% of government revenue. The Yemeni Government regularly faced annual budget shortfalls and tried to diversify the Yemeni economy through a reform program designed to bolster non-oil sectors of the economy and foreign investment. In July 2014, the government continued reform efforts by eliminating some fuel subsidies and in August 2014, the IMF approved a three-year, $570 million Extended Credit Facility for Yemen.”

  “However, the conflict that began in 2014 stalled these reform efforts and ongoing fighting continues to accelerate the country’s economic decline. … The private sector is hemorrhaging, with almost all businesses making substantial layoffs. Access to food and other critical commodities such as medical equipment is limited across the country due to security issues on the ground. The Social Welfare Fund, a cash transfer program for Yemen’s neediest, is no longer operational and has not made any disbursements since late 2014.”

  “After almost five years of escalating conflict, Yemen continues to face an unprecedented humanitarian, social and economic crisis. Significant damage to vital public infrastructure has contributed to a disruption of basic services, while insecurity has delayed the rehabilitation of oil exports — which had been the largest source of foreign currency before the war — severely limiting government revenue and supply of foreign exchange for essential imports. The bifurcation of national capacity, including the Central Bank of Yemen (CBY), between the conflicting parties, and *ad hoc* policy decisions by them further compound the economic crisis and humanitarian suffering from violence.”

  “Economic and social prospects in 2020 and beyond are uncertain and hinge critically on the political and security situations. Affordability of food is a rapidly emerging threat to household welfare, as preexisting global food price increases and rial depreciation is now interacting with COVID-19 related trade restrictions by food exporters. Yemen’s import dependence is exacerbated by the impact of desert locusts on the cropping season. A cessation of the ongoing violence and eventual political reconciliation, including the reintegration of vital state institutions, would improve the operational environment for the private sector, facilitating the reconstruction of the economy and rebuilding of social fabric.”

  “Yemen continues to face significant risks of renewed macroeconomic volatility. Without stable sources of foreign exchange, the Yemeni rial is vulnerable to downward pressures. KSA’s deposit, which financed essential imports, is close to depletion and increased hydrocarbon exports are highly uncertain due to the bleak outlook of the global oil market, and the fragmented multiple exchange rate regimes. A further rial depreciation would immediately have a knock-on effect on the prices of imported commodities with dire economic and humanitarian consequences. A COVID-19 related global and regional economic slowdown may affect Yemen through reduced remittances from the GCC.”

- **International Rankings:** The UN Human development ranking in 2019 is an extremely poor 177th. The World Bank percentile governance ranking in 2018 is an extremely low 1.0. Yemen has very high corruption by regional standards (177th out of 198 countries), and the World Bank “Doing Business Ranking” rates Yemen only 187thth out of 190 countries, one of worst in the world.
- **Population Pressure in millions:** 4.8 in 1950, 17.2 in 2000, 23.2 in 2010, 29.9 in 2020, and 46.1 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $27.6 billion; GNI per capita = $940. (2018)
- **Five Year Prognosis:** Yemen will likely remain a tragedy.

21. Sudan

- **Ranking: Category E Failed State**
- **Summary:** Sudan is deeply divided along tribal, regional, and sectarian lines with an ineffective government and economy. It is critically dependent on outside humanitarian aid, faces major refugee problems, and has no clear substitute for the loss of petroleum income from the now independent South Sudan. It has a very low life expectancy and per capita income.
  “ Following South Sudan's independence, conflict broke out between the government and the Sudan People's Liberation Movement-North in Southern Kordofan and Blue Nile states (together known as the Two Areas), resulting in a humanitarian crisis affecting more than a million people.”

  “An earlier conflict that broke out in the western region of Darfur in 2003, displaced nearly 2 million people and caused thousands of deaths. While some repatriation has taken place, about 1.83 million IDPs remain in Sudan as of May 2019. Fighting in both the Two Areas and Darfur between government forces and opposition has largely subsided, however the civilian populations are affected by low-level violence including inter-tribal conflict and banditry, largely a result of weak rule of law. The UN and the African Union have jointly commanded a Darfur peacekeeping operation (UNAMID) since 2007, but are slowly drawing down as the situation in Darfur becomes more stable.”

  “Sudan also has faced refugee influxes from neighboring countries, primarily Ethiopia, Eritrea, Chad, Central African Republic, and South Sudan. Armed conflict, poor transport infrastructure, and denial of access by both the government and armed opposition have impeded the provision of humanitarian assistance to affected populations. However, Sudan's new transitional government has stated its priority to allow greater humanitarian access, as the food security and humanitarian situation in Sudan worsens and as it appeals to the West for greater engagement.”

  “Sudan has experienced protracted social conflict and the loss of three quarters of its oil production due to the secession of South Sudan. The oil sector had driven much of Sudan's GDP growth since 1999. For nearly a decade, the economy boomed on the back of rising oil production, high oil prices, and significant inflows of foreign direct investment. Since the economic shock of South Sudan's secession, Sudan has struggled to stabilize its economy and make up for the loss of foreign exchange earnings. The interruption of oil production in South Sudan in 2012 for over a year and the consequent loss of oil transit fees further exacerbated the fragile state of Sudan’s economy. Ongoing conflicts in Southern Kordofan, Darfur, and the Blue Nile states, lack of basic infrastructure in large areas, and reliance by much of the population on subsistence agriculture, keep close to half of the population at or below the poverty line.”

  “The secession of South Sudan induced multiple economic shocks. The most important and immediate shock was the loss of the oil revenue that accounted for more than half of Sudan’s government revenue and 95% of its exports. This has reduced economic growth, and resulted in double-digit consumer price inflation, which, together with increased fuel prices, triggered violent protests in September 2013. Continuous food price hikes were also the immediate cause of demonstrations that started in December 2018.”

  “In 2013, the outbreak of civil war in South Sudan damaged both economies depriving Sudan of much needed pipeline revenues. The war in South Sudan also precipitated an increase in Sudan’s already large population of refugees and internally displaced persons (IDPs) with Sudan now serving as a source, destination and transit country for irregular migration, including refugees and asylum-seekers using the East African North-bound migratory route through Libya to Europe. The country hosts an estimated 763 thousand South Sudanese refugees and 159 thousand refugees and asylum seekers from Eritrea, Syria, Yemen, and Chad. The recent peace accord between the warring parties brokered by Sudan and Ethiopia appears to be holding, but the war damaged oil infrastructure, further eroding revenue availability to Sudan.”

  “Following the global oil price slump in 2015/2016, Sudan and South Sudan agreed to lower oil transit fees for South Sudanese oil via Sudan’s pipeline, as it became uneconomic to export it. In December 2016, they extended their 2012 agreement on oil for three years on the same terms, with the exception of provisions for the adjustment of transit fees in line with global oil prices.”

  “Armed conflict in Sudan’s westernmost region of Darfur has subsided but many parts of the region remain precarious because of the proliferation of arms and banditry. Efforts to settle another conflict in South Kordofan and Blue Nile remain deadlocked.”

"Comprehensive U.S. sanctions on Sudan, levied in 1997 and expanded in 2006, were lifted in October 2017. This generated initial optimism, but foreign investors and commercial banks have been reluctant to reengage. Trade and financial transactions between Sudan and the World economy remain very limited as Sudan continues to be designated by the U.S. as a state sponsor of terrorism, preventing full normalization of relations with the U.S. While there was optimism late 2018 that talks to remove the designation are expected to begin soon, the protests that escalated in December 2018 might have hampered progress on the talks."

- **International Rankings:** The UN Human development ranking in 2019 is a very low 168. The World Bank percentile governance ranking in 2018 is very low 5.8, but rising. Sudan has very high corruption by regional standards (173th out of 198 countries), and the World Bank "Doing Business Ranking" rates Sudan only 171st out of 190 countries, one of worst in the world.
- **Population Pressure in millions:** 6.5 in 1950, 27.6 in 2000, 35.0 in 2010, 45.6 in 2020, and 89.3 estimated for 2050.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $18.3 billion; GNI per capita = $590.
- **Five Year Prognosis:** Sudan will remain a marginal state without massive changes in governance and leadership.

22. Somalia

- **Ranking: Category D to Category F Failed State**
- **Summary:** Somalia has experienced decades of violent divisions and extremism in spite of extensive U.S. and international intervention. The country's history also has decades without effective governance and development, internal divisions and fighting, and extremist threats dominated in recent times by Al Shabab. Some improvements in political unity and leadership are apparent in recent years, but the central government cannot even secure the capital. The presidential and parliamentary elections have been postponed. The Parliament forced Prime Minister Hassan Ali Khaire to leave office in July 2020, and his replacement is uncertain, while the prime minister role in most of the country is still highly uncertain.
Somalia's economy badly needs modernization and development, and the government cannot collect adequate revenues. There is high population growth rate in spite of some of the worst humanitarian conditions in the world and some of the worst educational standards. Al-Shabaab, ISIS, and al-Sham remain threats. Mogadishu and other major cities have been subject to attack in 2020.

"In 1969, a coup headed by Mohamed SIAD Barre ushered in an authoritarian socialist rule characterized by the persecution, jailing, and torture of political opponents and dissidents. After the regime's collapse early in 1991, Somalia descended into turmoil, factional fighting, and anarchy."

"In May 1991, northern clans declared an independent Republic of Somaliland that now includes the administrative regions of Awdal, Woqooyi Galbeed, Togdheer, Sanaag, and Sool. Although not recognized by any government, this entity has maintained a stable existence and continues efforts to establish a constitutional democracy, including holding municipal, parliamentary, and presidential elections."

"The regions of Bari, Nugaal, and northern Mudug comprise a neighboring semi-autonomous state of Puntland, which has been self-governing since 1998 but does not aim at independence; it has also made strides toward reconstructing a legitimate, representative government but has suffered some civil strife. Puntland disputes its border with Somaliland as it also claims the regions of Sool and Sanaag, and portions of Togdheer. Beginning in 1993, a two-year UN humanitarian effort (primarily in south-central Somalia) was able to alleviate famine conditions, but when the UN withdrew in 1995, having suffered significant casualties, order still had not been restored."

"In 2000, the Somalia National Peace Conference (SNPC) held in Djibouti resulted in the formation of an interim government, known as the Transitional National Government (TNG). When the TNG failed to establish adequate security or governing institutions, the Government of Kenya, under the auspices of the Intergovernmental Authority on Development (IGAD), led a subsequent peace process that concluded in October 2004 with the election of Abdullahi YUSUF Ahmed as President of a second interim government, known as the Transitional Federal Government (TFG) of the Somali Republic. The TFG included a 275-member parliamentary body, known as the Transitional Federal Parliament (TFP). President YUSUF resigned late in 2008 while UN-sponsored talks between the TFG and the opposition Alliance for the Re-Liberation of Somalia (ARS) were underway in Djibouti."

"In January 2009, following the creation of a TFG-ARS unity government, Ethiopian military forces, which had entered Somalia in December 2006 to support the TFG in the face of advances by the opposition Islamic Courts Union (ICU), withdrew from the country. The TFP was doubled in size to 550 seats with the addition of 200 ARS and 75 civil society members of parliament. The expanded parliament elected Sheikh SHARIF Sheikh Ahmed, the former ICU and ARS chairman as president in January 2009. The creation of the TFG was based on the Transitional Federal Charter (TFC), which outlined a five-year mandate leading to the establishment of a new Somali constitution and a transition to a representative government following national elections. In 2009, the TFP amended the TFC to extend TFG's mandate until 2011 and in 2011 Somali principals agreed to institute political transition by August 2012. The transition process ended in September 2012 when clan elders replaced the TFP by appointing 275 members to a new parliament who subsequently elected a new president."

"Following more than two decades of conflict, a new federal government emerged in Mogadishu in 2012 within the framework established by the Provisional Constitution. Soon after, the international community agreed to the Somali New Deal Compact–an organizing framework (2014-2016) for assistance delivery to the country—with the Federal Government of Somalia (FGS), in line with national priorities, increasing delivery through Somali institutions."

"The compact was succeeded by the New Partnership for Somalia in 2017, following a peaceful transition of power in February 2017. The New Partnership for Somalia, followed by the Somali Partnership Forum in Brussels in July 2018, aligned with a National Development Plan , and outlines collective priority areas critical for development, including humanitarian issues, national security, inclusive politics, and economic recovery."

"The country also faces a significant threat from a recent locust invasion and COVID-19. The Ministry of Agriculture declared a national emergency on February 2 following a locust invasion, which threatens food security. The United Nation's Food and Agriculture Organization (FAO) projects that the number of locusts could grow 400 times by June if not treated. FAO put out a $76 million appeal to fund the spraying of the affected areas with biopesticides. Spraying commenced in February, but might be disrupted due to COVID-19 related restrictions."

"The first case of COVID-19 was reported on March 16. The Ministry of Health has suspended all international flights and restricted entry for all travelers from worst-hit countries through to March 30. All learning institutions are closed, and public meetings banned in a bid to curb the spread of the novel corona virus. The government has dedicated $5 million to cushion against further transmission. Somalia's health indicators are among the worst in the world and COVID-19 cases threaten to stretch a fragile healthcare system. Somalia will benefit from the World Bank Group's increased $14 billion package of fast-track financing to assist companies and countries in their efforts to prevent, detect and respond to the rapid spread of COVID-19."

"Years of conflict and fragility have left Somalia's economy with a range of challenges, including population growth outstripping economic growth, acute poverty and vulnerability, recurrent external trade and climate shocks. Weak fiscal space and institutions, active insurgency and an incomplete political settlement have also affected the country's economic strength."

- **International Rankings:** There is no UN Human development ranking in 2019, but it would be very low. The World Bank percentile governance ranking in 2018 is a terrible 0.0. Somalia has extremely high corruption by regional standards (180th out of 198 countries), and the World Bank "Doing Business Ranking" rates Somalia 190th out of 190 countries, worst in the world.
- **Total Pre-Coronavirus Gross GNI in $US Current Billions and GNI per capita in $US Current Dollars in 2019:** GNI = $0.835 billion; GNI per capita = $130. (1990)
- **Population Pressure in millions:** 2.4 in 1950, 7.5 in 2000, 9.80 in 2010, 11.8 in 2020, and 22.6 estimated for 2050
- **Five Year Prognosis:** Somalia will remain an intractable mess.

Outside Powers Cannot Help a State That Will Not Help Itself

It should be obvious to anyone comparing the summary rankings in this overview that they deliberate set a high standard for success – although many of the hopes expressed in studies by regional experts like those in the UN Arab Development Reports, in setting goals for "Globalism," and in reacting to the initial demonstrations and upheavals in the Arab Spring which set similar standards in the years before and sometime after 2011.

It should also be clear that any effort to summarize these many factors for even one country will inevitably be highly subjective and sometimes unfair. The key issue in assessing these countries, however, is how accurate they are in portraying the actual level of progress relative to the level that is necessary to meet the needs of a given nation's people.

So far, many of the comments on these rankings have focused on the rationale that other causes of failure were more important; that the rankings do not cover the actions of outside states; that the state involved may have failed in some important respects but still deserve a different ranking; and that the summary prognoses are too short, too harsh and too glib. All of these criticisms are valid in some cases, but they do not address the reality that the greater Middle East should be judged by the kind of hopes for change and progress expressed early in the Arab Spring – which have still not been met – and that far too much of the region has truly become an "axis of failure."

Here, it seems worth noting that the rankings in this paper do illustrate issues where a study of the impact of the Arab Spring by the World Bank that is excerpted in the Annex reaches very similar conclusions.

In any case, the key issue in evaluating each country is not the summary ranking, but the real world probability that a given nation will emerge out of its current problems in a way where it becomes capable of making sustained progress and achieving sustained success in meeting the needs of all of its people. No state in the world comes close to perfection in meeting these two goals, but many at least are trying and making progress. It is also a grim reality that in a world where aid resources are so limited, there is little real point in allocating aid to failed states that cannot – or will not – help themselves.

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Notes:

a. *Economic data used in country summaries rely heavily on current Work Bank country summaries, CIA World Factbook rating, and IMF Article IV reporting. Quotes come from the most recent World Bank country summary or Economic Update, and CIA World Factbook Report as of August 17, 2020.*

b. *The sources of the data used in international rankings are: UN human development ranking is taken from http://hdr.undp.org/en/countries. Corruption rating taken from Transparency International Corruptions Perception Index, 2019, https://www.transparency.org/en/cpi/2019/results/lby .Governance relies on a range of sources including World Back Worldwide Governance Indicators, https://info.worldbank.org/governance/wgi/Home/Reports.*

The methodology used in the World Bank governance rankings is complex and while the percentile rank ranges from 0 to 100, the full data base and methodology should be consulted. See https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1682130

The data use for the World Bank Doing Business rankings are taken from its Ease of Doing Business Rankings for 2020: https://www.doingbusiness.org/content/dam/doingBusiness/pdf/db2020/Doing-Business-2020_rankings.pdf. These gross measures are not based on census data in many cases and differ sharply from source to source. The lack of truly comparable data for many countries on unemployment -- and youth unemployment in particular – is q critical problem compounded by the lack of data on participation in the labor force and how a country estimates who is search for work.

c. *The population data are taken from the U.S. Census Bureau International Data Base, https://www.census.gov/data-tools/demo/idb/informationGateway.php.*

d. *Gross National Income (GNI) – Atlas Method -- is chosen over GDP because to seems to represent that most realistic picture of actual income relating to the population that reflects real world incomes. The total GNI data are taken from the World Bank https://data.worldbank.org/indicator/NY.GNP.MKTP.CD. The GNI per capita data are taken from the World Bank https://data.worldbank.org/indicator/NY.GNP.PCAP.CD.*

The income groupings use GNI per capita (in U.S. dollars, converted from local currency using the Atlas method) since they follow the same methodology used by the World Bank when determining it's operational lending policy. While it is understood that GNI per capita does not completely summarize a country's level of development or measure welfare, it has proved to be a useful and easily available indicator that is closely correlated with other, nonmonetary measures of the quality of life, such as life expectancy at birth, mortality rates of children, and enrollment rates in school.

There are some limitations associated with the use of GNI that users should be aware of. For instance, GNI may be underestimated in lower-income economies that have more informal, subsistence activities. Nor does GNI reflect inequalities in income distribution. Users should also note that the Atlas method used to convert local currencies into a common U.S. dollar is based on official exchange rates, which do not account for differences in domestic price levels. The Atlas method, with three-year average exchange rates adjusted for inflation, lessens the effect of exchange rate fluctuations and abrupt changes, but an alternative method would be to use the purchasing power parity (PPP) conversion factors of the International Comparison Program. To date, however, issues concerning methodology, geographic coverage, timeliness, quality and extrapolation techniques have precluded the use of PPP conversion factors for this purpose.

Please see the staff report "Per Capita Income: Estimating Internationally Comparable Numbers," presented by the World Bank's Executive Directors in 1989, which discusses in more detail the purpose, methodology, and limitations of using per capita income, selected alternative measures, and the proposed establishment of the system for grouping countries by income.

More information on the Bank's operational lending terms is given in Operational Policy 3.10.

Appendix A: World Bank on the Arab Spring

Countries experiencing conflicts in MENA since 2011 also experienced episodes of violence and wars during the preceding three decades on a local level. This is consistent with the global findings that 90 percent of the wars between 2000 and 2010 took place in countries that experienced civil wars in the preceding 30 years, showing that most countries do not really reach a post conflict phase, as argued in the World Bank's 2011 World Development Report on Conflict, Security, and Development. This points to a "conflict trap."

… Once a country goes through a period of violence, its chances of relapsing into additional episodes of violence increase. This also shows that preventing internal conflicts is a question not of averting new conflicts but of "permanently ending the ones that have already started" over three or four decades through the accumulation of grievances…It is also a question of addressing the drivers of fragility that accumulate over de-cades of limited institutional capacity, gender gaps, and illicit financial flows, thus creating a situation of protracted fragility …

The 2011 uprisings across the Arab region appear as a protest against the erosion of the social contract and a symptom of growing fractures among different social, regional, or ethnic groups. The eroding legitimacy of the ruling elites in MENA countries fueled the outbreak of uprisings and later of violence. Accompanying the diminished state capacity was an attenuated social contract and the rise of nonstate — often armed — actors ,further questioning the state's legitimacy….With the fall of the Soviet Union in 1991, the political and economic transitions to adapt to the fall of the socialist state model by its allies in the MENA region led to exclusionary crony capitalism and a decline in inclusive and effective public services….The long- established power distribution excluded a large part of the population from economic opportunity and political participation…This has been the case for the populations in the south of Yemen, the Sunnis in Iraq after 2003, and the different non-Alawite communities in Syria since the 1970s.

The breakdown of the social contract between the people and the ruling elite was also a trigger to shifting alliances within the MENA region. Local nonstate actors and substate security forces found support from regional or international actors. This support deepened the divide between the people and the ruling elite and pushed disenfranchised local communities to voice their opposition against the exclusionary status quo even louder. This com-plex web of power networks, accentuated by the regional geo-politics of energy and oil, culminated with an internationalization of conflict that makes the MENA region today a theater of different proxy wars between global actors.22The uprisings illustrate the impact of dysfunction-al political economy dynamics on citizens' trust in their governments and the legitimacy of the status quo.

In 2011, "the typical Arab protestor was single, educated, relatively young (younger than 44 years old), middle class, urban and male," according to the Arab Barometer. The main demands voiced in these protests focused on better economic opportunities and socio economic justice—and expressed dissatisfaction with widespread corruption and political exclusion….Especially disenfranchised were millions of young people, in a region with the world's biggest youth bulge. MENA recently recorded its highest unemployment among those aged 15–24 since the 1990s….It also has the world's lowest rate of female labor force participation— only 14 percent in 2017, compared with 35 percent worldwide.

Igniting the protests was the inability of the region's governments to address the demands and expectations of their educated young people—or to deliver basic services to some local communities. Regional proxy dynamics intertwined with the rise of local networks and nonstate armed actors and combined with the existing social fractures, adding fuel to the fire and eroding the state's legitimacy in the eyes of the disenfranchised groups. As regional and global actors supported opposing sides to protect their geo-economic interests, violence spread vertically from the central to the local and horizon-tally between different local actors and communities, finally breaking out in civil wars. The spillover of these outbreaks of violence have affected other countries inside and outside the region, with some directly involved in the conflict.

In most situations, violence erupts as a result of the accumulation of many unaddressed grievances such as political exclusion of some segments of the population, injustice, or inequality. The joint United Nations–World Bank report, Pathways for Peace(2018) introduced the concept of "arenas of contestation," spaces with an accumulation of risks and grievances that, left unaddressed, can trigger violent outbreaks. These arenas define the de facto balance of power and represent what different groups are willing to fight over: access to power, to land and natural resources, to services, and to responsive justice and security. Since the transitions to either peace or violence are a gradual process —rather than a one-time breaking point—the persistence of underlying grievances in these arenas and people's strategies for coping with instability pushes a country to move into and out of violence. In MENA, the most recent violence expresses the explosion of unaddressed grievances around arenas that have been accumulating for decades, leading to the protracted conflicts in the aftermath of the Arab Spring.

Once violence erupts, the incentive structures of the different players and actors change accordingly. That can create a self-sustained violent environment that survives on people's acceptance of some informal actors as providers of security and services. Thus, many local and international actors benefit from continuing the conflict. Reconstruction efforts that fail to address this evolution of the power networks push countries to oscillate between temporary stabilization and recurrent episodes of violence in a "conflict trap," since the structural issues and drivers of violence are not addressed. Breaking the cycle of violence can be achieved only if policymakers avoid rebuilding the institutions, networks, and dynamics responsible for and benefiting from the conflict, and instead focus on the key drivers and enablers of sustainable peace. The traditional reconstruction approach—emerging after the clear ending of a conflict and focused primarily on a clear and stable central government as the key counterpart for implementing a top-down approach to reconstruction—cannot lead to sustainable peace in today's conflict situations. It most likely leads only to a temporary stabilization that does not address fully or effectively the conflict's dynamics, causes, and consequences….

Source: *Building for Peace: Reconstruction for Security, Equity, and Sustainable Peace in MENA,* World Bank, pp. 12-13, http://documents1.worldbank.org/curated/en/747201593601797730/pdf/Building-for-Peace-Reconstruction-for-Security-Equity-and-Sustainable-Peace-in-MENA.pdf

[1] U.S. Census Bureau, International Data Base, https://www.census.gov/data-tools/demo/idb/region.php?T=13&RT=0&A=both&Y=1950,2000,2010,2020,2050&C=AG,BA,EG,GZ,IR,IZ,IS,JO,KU,LE,LY,MO,MU,QA,SA,SO,SU,SY,TS,TU,AE,WE,WI,YM&R.

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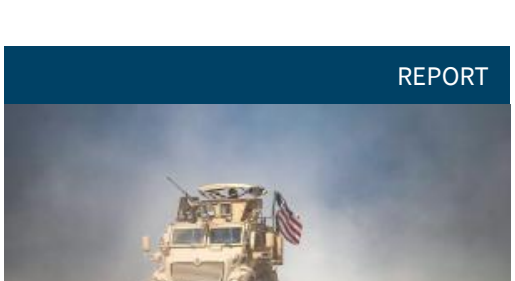

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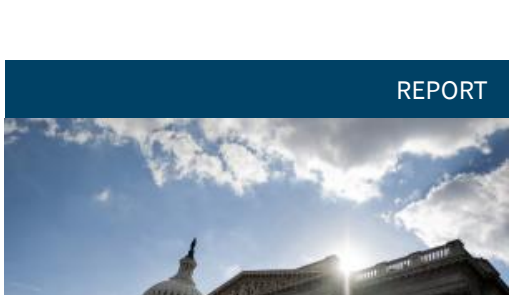

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